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Are We Doing Our Own Job in Europe?

By BURNETT WALKER
Smith, Barney & Co.

Reporting on European trip, Mr. Walker maintains U. S. and Allied Administration of Germany has not fostered sufficiently system of private enterprise and have handicapped substantial industrial and coal mining recovery. Urges more encouragement to private industry in Germany and closer supervision of use of foreign aid.

The United States needs to do some mending in Europe. Unless some weak spots are sewed up we may lose out of the hole in the bottom of the European sack all that we put in at the top. That hole is Western Germany, now in charge of the United States, Britain and France—and ours is the strongest voice.

Burnett Walker

My recent trip to Europe covered a lot of territory. It showed me that immediate aid is needed. People must have food and fuel to survive. Western Europe looks to the United States for aid and strong leadership. A Marshall plan is part of our answer.

My trip showed me unhealthy situations that Congress and the public should recognize. I have

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The Outlook for the Stock Market

By A. A. MOL*
Partner, Mol & Co.

Asserting postwar bull market which preceded third quarter of 1946 was unsound, Mr. Mol contends present stock market position is internally healthy, but can move far in either direction as motivated by business events. Discusses nature and effects of "inflationary sickness," and concludes on a national scale, people are buying things for which they have not got the money and accordingly, a "domestic inflation boom is kept going." Blames Federal operations for "rocking the boat of inflationary pressure," and recommends "getting into cash" while awaiting stock market slump from 140 to 110 in the industrial average.

I have been asked to discuss the outlook for the stock market. Well then, let us first look at the internal condition of the market itself. From April, 1942, till August, 1945, we witnessed a quiet and sound bull market. After V-J Day the character of this market changed. There was a period of readjustment in business, with great uncertainty and temporarily falling earnings. Conservatism in the market would have been justified but, instead of that, the speed of the advance increased and the whole character of the market turned frothy. If we look at it in retrospect, we can see that the enormous volume of special and secondary distributions indicated major distribution. Judging by my own observations, the behavior of individual investors further accentuated the phenomenon; groupwise businessmen were sellers, while inexperienced investors and speculators were

A. A. Mol

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*Discourse by Mr. Mol before the Association of Customers' Brokers, Nov. 14, 1947.

The Stock Price Trend Continues Up

By ANTHONY GAUBIS*
Investment Counselor

On basis of earnings, technical, fundamental and psychological factors, Mr. Gaubis concludes recent declines will prove to have merely been intermediate correction in a broad cyclical advance which will continue until 1949-1950. Emphasizes favorable contrast with economic situation after World War I, present accumulated savings, satisfactory earnings, inflationary elements, continuing high business activity and earnings, and cyclical market factors. Maintains Dow theory is of little practical help to investors.

I.

Dow Inadequacy

One of the favorite topics in Wall Street at all times is whether the underlying trend of the stock market is upward or downward. That is, whether we are in a "bear market" or a "bull market." The Dow Theorists always have a definite answer, but, unfortunately, these answers are subject to change — retroactively. According to the leading Dow Theorists, we have been in a bear market since May of 1946. If both the Railroad and Industrial Averages should now advance by about 7 points from current levels, the Dow Theorists will tell us that we have been in a bull market since October of 1946. This is all very interesting, theoretically, but it is of little

Anthony Gaubis

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*An article based on talk Mr. Gaubis made at meeting of Association of Customers' Brokers, Nov. 14, 1947.

EDITORIAL

As We See It

We Must Now Decide

During the next few months — it really ought to be within the next 30 days—the people of this country must reach a definite, carefully considered, basic decision as to what they want to do in this matter of so-called foreign aid. Further hesitation, equivocation, self-deception, or procrastination will be difficult, if not impossible, and certainly quite without warrant. Several long, erudite analyses of the alleged needs of foreign peoples and of our own abilities to supply them have for some time past been available. Plans, proposals and programs galore have been brought forward, some of them by day-dreamers of the type who for so long have itched for a world-wide New Deal, some of them by individuals or groups beset with fears of Russia and communism, and some of them by humanitarians not much concerned with practicalities, and some of them by politicians who first of all seek to find a popular formula uncursed by discredited slogans. The President, in his message to

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Truman Links European Aid to Inflation Controls

In Congress address, he calls for both emergency and long-term aid to Europe, and lays down ten legislative provisions to be enacted to offset or prevent further price rises in event voluntary controls fail. Foresees possible need of both price and wage controls, but does not advocate single authority as OPA be reestablished. Says new controls can be administered by existing agencies.

President Harry S. Truman on Nov. 17, at the opening of the special session of the 80th Congress, which was convened by him to enact legislation to afford emergency aid to Europe and to combat present inflationary tendencies, delivered his message in person at a joint session of the Senate and House of Representatives. His address was divided about equally between the problems and plans of immediate aid to Western Europe and the actions that should be taken to offset and combat present rising prices. The text of the address follows:

President Truman

Mr. President, Mr. Speaker, Members of the 80th Congress:

The Congress has been convened to consider two problems of major concern to the citizens of the United States and to the peoples of the world. The future of the free nations of Europe hangs in the balance. The future of our own economy is in jeopardy. The action which you take will be written large in the history of this nation and of the world.

The Secretary of State and other representatives of the Executive Branch have appeared before Committees of the Congress during the past week to present the facts regarding the necessity for immediate assistance by the United States to certain European countries. Austria, France and Italy have nearly exhausted their financial resources. They must be helped if their peoples are to survive the coming winter, and if their political and economic systems are not to disintegrate. Exceedingly bad weather has brought on crop failures and fuel shortages, and has caused intense suffering. The food and fuel stocks of these countries are now near the vanishing point. Their peoples are in a dangerously weakened condition, due to years of short rations. Additional medical supplies and facilities are urgently necessary.

Austria needs $42 million, Italy needs $227 million and France needs $328 million to buy food, fuel and other essential goods during the next four and one-half months. Detailed information has been presented to your Committees concerning these needs and the purposes for which funds to be appropriated by the Congress would be spent.

Additional funds will also be required to maintain our position in occupied areas.

Long-Term Program Needed

Emergency assistance by itself will not solve European problems. Emergency aid is no substitute for a long-range recovery program, but it is a vital prerequisite to such a program. If the Western European nations should collapse this winter, as a result of our failure to bridge the gap between their resources and their needs, there would be no chance for them—or for us—to look forward to their economic recovery. The providing of interim aid will give us time to plan our part in an economic recovery program and it will give the peoples of Europe the strength to hold out until such a program begins.

To Submit Program

I shall shortly submit to the Congress my recommendations concerning the long-range European Recovery Program. This

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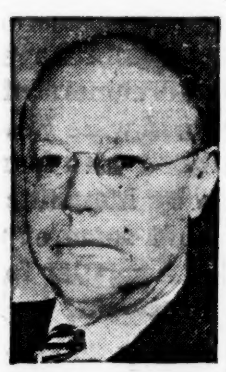
Taft Opposes Restoration of Economic Controls

In radio address, Ohio Senator scores proposals for renewal of wartime economic restrictions. Says American people don't like to be regimented and points out economic laws under competition are more effective in working out price adjustments than legal measures. Agrees, however, more credit controls are demanded and urges stricter controls over exports. Sees danger to our free economy if wartime controls are renewed.

Less than nine hours after President Truman delivered his message on European aid and domestic price controls, Sen. Robert A. Taft of Ohio, Chairman of the Senate Republican Policy Committee, at 10 p.m. (EST), Nov. 18, made a radio address in which he expressed general approval of emergency financial aid to Western European countries and thus prevent spread of communism, but voiced strong opposition to the President's proposals to combat inflation through restoration of wartime economic controls.



Robert A. Taft

Text of Address

Senator Taft's address in full follows:

Today the President of the United States demanded that Congress, and the people, turn the clock backwards. He advocates a return to the days of war, of the Office of Price Administration, the War Labor Board and the War Production Board. He demands power in his individual discretion to fix prices or not fix prices, to fix wages or not fix wages, to prevent purchases by the housewife unless she gets ration stamps from some new Federal board, to dictate to every farmer where he shall sell the products of his farm and at what prices and to regulate the details of every business, control its inventories, regulate its acquisition of raw materials and direct the disposition of its finished products.

He wants price control against the producer, wage control against the working man, rationing against the housewife and the restaurant, every kind of control over the businessman. It means the setting up a Federal bureau with literally hundreds of thousands of employees and agents prying into the daily lives of millions of people. We know this is what it would mean because we saw it happen here. Such a proposal is not progress, nor is it liberalism. It is reaction and a step to a completely totalitarian nation.

The President represents that these powers will be sparingly used only with relation to vital commodities in short supply which basically affect the cost of living, or basically affect industrial production. Everything, he says, is to be done on a highly selected basis. If there is one thing which the OPA certainly learned, it is that you can't do price control partially. Why, the President ended controls himself on the ground that you could not control some prices unless you controlled all. All the important commodities are interrelated. If you ration and fix the price of meat, everybody rushes out to buy chickens and eggs. Controls immediately must be established over them.

Who is to determine what are vital commodities and whether they affect the cost of living? That definition alone includes 90% of all commodities. No—the President is only trying to sugar-coat the pill. This is the OPA. This is the police state condemned by the President himself only a month ago. This is the end of economic freedom.

Certainly prices are too high. Unreasonable increases in wages

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Production and Prices

By WALTER E. SPAHR*

Professor of Economics, New York University
Executive Vice-President, Economists' National Committee on Monetary Policy

Deploring corruption and improper presentations of scientific economic principles, Dr. Spahr asserts tendency of our government in recent years is to rule people by caprice, and to depart from objective standards. Says in economics, objective standard of fairness of prices or profits exists where both are determined under free and fair competition. Denounces Socialism as inefficient and destructive, and holds abandonment of gold-coin standard in U. S. has caused rapid move toward government-managed economy. Sees amazing economic illiteracy within Federal Government, and concludes, despite warnings, march along road of social, political and economic retrogression is still continuing.

Production is the creation of utilities. Utilities are the capacities of goods or services to satisfy human desires. The only way in which we can measure these utilities is by looking at what transpires in the market place. The only way in which we can obtain the maximum of utilities is by having a private enterprise system, operating under conditions of free and fair competition, with government acting chiefly as umpire to see to it that the rules of free and fair competition are observed.

Walter E. Spahr

What takes place in the market place is good or bad socially only in accordance with the standards of goodness or badness that are revealed by the operation of the forces of free and fair competition.

Objective standards of science in Economics are obtained in no other manner. All other standards as to what is good or bad, desirable or undesirable, in the economic world become subjective, and therefore arbitrary, in nature when those provided by the operation of the forces of free and fair competition are not accepted as criteria. When we slip from the world of science to the world of subjective appraisals we are lost in a wilderness of personal opinion without scientific value.

In recent years we have fallen far in our failure to understand what are the proper standards as to what is good or bad in production, exchange, consumption, distribution, prices, and profits. We have reached a stage of affairs which suggests very strongly that government officials in general, many newspaper columnists, many so-called economists, and many others think there are really no objective standards by which to estimate what is appropriate or proper in production, prices, and profits. They seem to think that the answers are merely matters of personal opinion.

The responsibility for this situation rests in large degree, apparently, on the Keynesian-Socialist doctrines which a very large proportion of our so-called economists, particularly the younger ones, have embraced during the last dozen years and have palmed off on the Federal government and the public in general as scientific principles of Economics.

Last summer I had occasion to survey most of the leading textbooks in economics to determine which of them dealt with economic principles in a manner that yielded objective standards as to what is a proper price or a proper profit margin. That was an arresting and deeply disturbing experience. The very great majority of these books of the last decade discussed high or low prices or profit margins but provided no criteria against which to measure high or low profits or prices. High profits were simply alleged to be high or too high. There was little beyond allegation or an expression of personal opinion and attitudes. Subjective evaluations, not the objective standards of science, characterize these works offered as science. It was necessary to go back of this Keynesian-Socialist group of writers in Economics to find many textbooks that revealed objective standards. These authors are in general labelled by the Keynesian-Socialist economists as out of date.

Slow Advance in Presentation of Economic Principles

The simple fact of the matter is that in recent years we have had relatively little in the way of scientific presentation of scientific economic principles.

That is easy to understand: When so-called economists go in for Socialism and Statism in some form they must of necessity abandon the principles which the operation of the forces of free and fair competition provide. Discussions of production, prices, and profits become, in essentials, little if anything more than an agitation for something deemed desirable by the particular author. The reasons why some central purpose is socially desirable, aside from the author's claim regarding it, are in general not provided.

Economics has been corrupted badly by writers who seem not to know the difference between objective standards of science and mere personal opinion, or subjective evaluations, or attitudes, a great proportion of which have

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*An Address by Dr. Spahr before the Ohio State Chamber of Commerce, Columbus, Ohio, Nov. 20, 1947.

The Imponderables in the Marshall Plan

By DR. W. RANDOLPH BURGESS*
Member, the Harriman Committee
Vice-Chairman, National City Bank of New York

Dr. Burgess points out numerous obstacles encountered in estimating Europe's present and future needs, and our lending potential; rendering currently circulated figures highly academic. Recommends Congress annually determine appropriations; industrial equipment needs be handled by World Bank; raw materials and shorter term projects by Export-Import Bank, and we establish continuing administrative agency. While Committee took no position on tax policy, it stated foreign aid does not preclude debt retirement and tax adjustment.

Statistics has taken the center of the stage in the discussion of the Marshall Plan. After the formalities of meetings of statesmen in June, it was economists and statisticians who went to work in the Paris Council to make up a program for the Plan. The document which was finally published in September is an extraordinary statistical document, for it has brought together for the first time a composite picture of the balance of payments of 16 European countries, broken down into considerable detail as to key commodities and equipment, and has added to that a statistical estimate for the next four years.

W. R. Burgess

In this country the Krug Committee and the Harriman Committee have gone to work and have now issued reports which are likewise interesting documents for the statistician. They are an extraordinary compilation and interpretation of a wide range of economic data.

Extrinsic Considerations

Of course, like most of the statistics which you and I have to handle, they are not in pure form but are all mixed up with economic, political, and human considerations. At every stage of the statistical job judgments had to be made which went far beyond the figures themselves.

For most of the people of the United States the results of these studies appeared in screaming headlines which talked about $20 billion for Europe or, in the case of the Harriman Committee, $12 to $17 billion. The reaction of anybody with statistical blood in his veins must have been to ask what these figures meant and how good they were.

The answer to this question, of course, is that these figures are just about as good as any economic prediction which attempts to forecast what will happen four years in advance.

The Historical Story of Europe's Bill

Let's take a quick look at the history of these figures. They are an estimate of the dollar deficit of these 16 countries as a result of their total trade with the rest of the world in a four-year period, during which they are endeavoring to become self-sustaining by an ambitious program of improving their methods and mechanism of production and distribution of goods.

Here is the history. A committee of statisticians in Paris, on the basis of findings by technical committees, first estimated the deficit at $29 billion. This figure caused such a shock that the statisticians again went to work and pulled the figure down to $22 billion. They did this in various ways. They made a new assumption about the course of prices, by which they assumed that the prices of goods these countries imported would show a decline of 7½% the second year from July 1, 1947, 10% the third year, and 12½% the fourth year. They also assumed that some of the goods they wanted would not be available, and they assumed a more rapid opening up of trade with the East.

Assumptions of Convertibility

The next step was to cut the $22 billion down to $19 billion, and this was done by assuming that a $3 billion surplus, which had been computed as likely in the trade with the Eastern countries, would be convertible into dollars.

The next step was to estimate that approximately $3 billon of the $19 billion could be taken care of through loans made by the International Bank.

This has the effect of reducing the amount of money expected from the United States and other American countries, and from private sources to a total of $16 billion.

It was these figures on which the Harriman Committee went to work. They divided into a series of subcommittees and examined in detail the amounts of different commodities which might be available from the United States. Also, they examined the capacity of the different European countries to use the amounts of commodities and equipment which the Paris report proposed. They examined also the effects in the United States of the program suggested from Paris. The object of this inquiry was to see what this

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*Extract from remarks by W. Randolph Burgess at a meeting of the American Statistical Association, N. Y. District Chapter, Nov. 13, 1947.

Factors in the Outlook for The Securities Markets

By HAROLD E. AUL*
Vice-President, Calvin Bullock

Market economist cites chief bearish factors as: (1) progressive impairment of people's purchasing power; (2) strains on industry's capital structure; (3) prospective exports decline; and (4) reduced inventory stocking. As favorable factors Mr. Aul lists: (1) extraordinarily good business and unfilled orders in heavy industries; (2) long-term favorable building cycle; (3) high disposable consumer income, and (4) very low price-earnings ratios. Concludes "stock prices are soberly appraising the outlook," and fully-invested positions should be maintained.

To undertake to discuss the outlook for the securities markets is a bold if not rash venture at this time of great confusion and uncertainty. Our confusion derives from the fact that we have present today many conditions for which there is no precedent, or for which precedent has proven to be an unreliable guide.

Following the market break in September, 1946, the belief was widespread that this was the forerunner of a primary postwar recession that would be of the order but considerably milder than that of 1920. Yet, today, more than a year later, we find industrial activity at a level close to its postwar peak and probably close to the maximum productive capacity of the country under normal peacetime conditions.

It is probable that the wide anticipation of recession created the very psychological conditions needed to forestall a recession. The warning signals hoisted by the market induced businessmen to adopt generally cautious policies at least in the first half of this year.

The extreme monetary ease of the current period, the far greater accumulation of urgent needs for goods and the more sober behavior of the markets have produced a different pattern—at least a different time pattern—of economic consequences as compared with the period following the First World War.

The Market Is Baffling

We are baffled today because we find that the stock market which we have hitherto accepted as an omniscient oracle, has proven to be neither omniscient nor oracular. This is the first time in our history, so far as I know, that a major break in common stock prices has not been followed, in a period of more than a year, by any evidence of a decline in the rate of industrial activity, if we except 1926 when the decline in stock prices was of brief duration and mild degree.

The stock market has discounted a recession that wasn't there.

Under these circumstances it should be interesting, if not instructive, to examine at this time the favorable and unfavorable factors in our balance sheet, to seek to derive from this appraisal some guidance for the course of our investment policy.

I think it may be said that the favorable factors of our balance sheet are for the most part actual, present, tangible, visible facts—the unfavorable are largely prospective, intangible, psychological — tendencies rather than present facts and conditions.

Let us dispose of the more disagreeable part of our task by considering first the unfavorable factors in the outlook.

The Unfavorable Factors

(1) Probably the most unfavorable factor in our present situation is the progressive impairment of the purchasing power of a large segment of our people—the imbalance between income and costs arising from the sharp upsurge in commodity prices, particularly foods.

I have never been impressed with the inflation argument supporting a bullish attitude toward common stocks—unless inflation proceeds to the point where it is out of control and gives rise to a panickly flight from dollars to things—a condition which we are not justified in contemplating at this time.

Inflation is not necessarily bullish for common stocks. It is pricing the consumer out of the market. It is impairing the capacity of the consumer to buy durable goods. It is raising the break-even point of industry. It is greatly increasing working capital requirements of business, depreciating the quality of current assets and diluting equity earnings through an expansion of commercial debt and capitalization.

While the level of disposable consumer income is still high in terms of dollars, the margin above consumption expenditures has been shrinking very rapidly. In the first half of 1947 the margin of consumer disposable income above consumption requirements is estimated at about 7% of disposable income as compared with 9.3% in 1946, 10.5% in 1941 and about 4% in 1939. I am disregarding in this comparison the fantastic, more or less voluntary, savings of the war period.

There is a grave question whether the large accumulated demand for consumer durables can be made effective in the face of a sharply rising curve of living costs with its resultant impairment of the purchasing power of consumer income.

While it is true that the "real" income of union labor has risen since the prewar period, this is certainly not true of many other large segments of the population,

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*A talk by Mr. Aul before N. Y. Society of Security Analysts, Nov. 18, 1947.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

The pace of overall industrial production was maintained the past week at prevailing high levels with practically all types of goods contributing substantially to the high output.

Reports coming to hand from some concerns indicate a sufficiently large volume of orders to maintain production at a high level well into 1948. Employment and payrolls too, are holding at near-peak levels with labor-management relations reported generally propitious.

In a recent editorial in "Business Week" discussing the manpower situation, the magazine states that a shortage of workers and not materials is holding down manufacturers' output.

Citing Census Bureau figures on unemployment for the week of Oct. 11, wherein they dropped to 1,687,000, the lowest since November, 1945 and representing a bedrock minimum for peacetime, the magazine points out that to union leaders laying plans for a third round of wage increases, these figures represent more than all the price wage and cost-of-living statistics ever put together.

In effect, the article continues, they mean that when the unions ask for more money, the supply and demand equation of the labor market will be working their way.

Insofar as that vast number of unorganized workers is concerned another round of wage advances among the organized workers will furnish added impetus to the rising tide of prices and virtually price the unorganized worker out of the market to the complete detriment of our national economy.

Recognizing the inflationary situation that presently confronts the nation President Truman on Monday of this week sought power from Congress to impose "selective" ceilings on wages and prices and to re-establish a system of consumer rationing, should conditions make it necessary.

* * * *

With the great need for an abundance of foodstuffs to meet domestic requirements and the urgent demands from Europe and the East to alleviate suffering humanity from starvation, demand for farm machinery continued very heavy last week with output holding at a peak level.

In the machine tool field order backlogs held at a very substantial volume and production of industrial equipment was hampered by the difficulty in obtaining steel and steel parts.

Manufacturers of boots and shoes also reported a moderate rise in output last week and deliveries of raw materials were found to be steady and prompt. The output of apparel likewise increased somewhat and producers of work clothing reported order backlogs moderately in excess of production.

* * * *

Since the beginning of 1946 commercial and industrial failures have become more and more numerous. In October of 1947 336 concerns failed with losses to creditors, an increase of 15% over the total for the previous month. Dun's seasonally adjusted failure index, representing the number of failures per 10,000 concerns in business, rose to 17.4. The index stood at 7.1 in October, 1946 and 5.1 in October, 1945.

* * * *

Consumer purchasing of Christmas merchandise got under way the past week with retail volume moderately above that of both the previous week and the corresponding week a year ago. Moderately priced merchandise received considerable attention and gift buying increased. The popularity of heavyweight clothing was enhanced by cold weather and while food buying continued to be substantial, consumers were less insistent on top quality items than in previous weeks.

Wholesale volume also rose moderately above that of the preceding week and was well above that of the corresponding week of 1946. The various merchandise markets throughout the country were well attended and buying was generally brisk. Retailers continued to be confident and were eager to augment their inventories.

STEEL OPERATION CLOSE TO POSTWAR HIGH LEVEL

The industrial strait-jacket suggested this week by the President if enacted and put into force would mean less steel for those now clamoring for supplies rather than more, according to "The Iron Age," national metalworking weekly.

During the early part of 1946 steel consumers had a taste of an allocation plan which was partial and which was administered by individuals unfamiliar with the steel distribution problem. Although the total number of priorities only affected about 7 to 9% of total steel output, bottlenecks because of the piling up of priorities on

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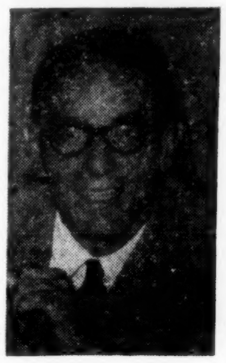
Observations . . . .

By A. WILFRED MAY

The Forecaster, The Economist, And The Psychiatrist

(Sixth of a series on Investing Techniques)

Along with specific analysis of the various investing tools, it is appropriate to weigh the reasons why qualitative forecasting shows such abortive results—be it done by the most authoritative academic economist or lowliest stock tipster. This has nothing to do with particular policies or systems, nor does it comprise a debunking operation.



A. Wilfred May

Weighing the difficulties of general forecasting is constructive in helping us to make up our minds as to how far we individually wish to concentrate on "quantitative" and "value" criteria in appraising a given level of the price of an individual security or of the market as a whole. Connoted therewith also is the weighting one decides to give to the historical background.

First a theoretical word about determinism and its general difficulties. If it be held that every event is a resultant of preceding events, a case possibly could even be made for the conclusion that, as every event in nature is a resultant of all preceding events, hence without infinite knowledge the occurrence of no succeeding event can be foretold.

Interjection of the Human Element

At any rate the predictability of many events, otherwise quite certain, is greatly lessened wherever human incidence or imponderables enter. For example, I am quite safe in prophesying that the sun will set tonight. But my own relationship to the event is another matter. Although the statistical probability is that I shall be alive tonight is comfortably high, **whether I myself will actually see it set** entails considerable doubt. I may be indoors, or even if I wish to see the event, I still may not possess my sight, or the sky might not be clear.

And if I do happen to see the event, because of absentedmindedness or worse I may even not realize it; or conversely, I may only imagine that I am seeing it.

Subjective Coloration

Very relevant is the edifying simile contained in the tale related by Nicholas Molodovsky in his article in the "Chronicle" of May 1, 1947. Once a Russian Grand Duchess after a royal dinner asked Krylov, the great Russian poet, how a single fact could have impressed each of her guests with so many divergent opinions. "Your highness," replied the poet, "look at that magnificent chandelier whose many candles shed such a soft and pleasant light on our table. Observe the finely cut prism from which a delicately shaped sphere is suspended. This prism receives the light from many candles. The light itself is white. Yet what color of the rainbow does this piece of crystal seem to reflect?" "Blue, of course," exclaimed the Grand Duchess. Krylov put the same question to all those present. To each the light reflected in the lovely crystal appeared to be of a different color.

The 25-cent pair of dice foretell the future better than the most expensive and well-equipped human prophet mainly because the *human* dice are loaded with subjective emotion, as hope and despair, causing psychological aberration from objective fact. Even if every single one of the objective economic and statistical factors bearing on a future happening could be recognized and correctly weighted; there is still left the controlling element of "human nature." Hence economists and sociologists go wrong in attempting and being relied on, for rainbow-chasing foresight rather than more properly concentrating on working on methods of adjustment between existing dislocations.

The flaw in assumptions about scientific predictability were well summarized by Professor James W. Angell about 10 years ago, as follows:

"It is no use to establish the general forms of relations between variables which are not statistically measurable, and which in the mathematical sense are not unique or determinate elements at all."

The Psychological Compulsions to Save

A. C. Pigou in last August's "Economica" points out that estimates of savings must be conducted on the premise that people's motivation for making them is founded on the psychological desire for wealth as a source of prestige, individual security, etc.

In an article "Psychology in Economics" that appeared in the "Political Science Quarterly" in June, 1938, Sam A. Lewisohn wrote: "A grasp of psychiatric and psychological material available would equip economists to present more realistically descriptions of the course of events leading to booms and subsequent depressions." He went on to demonstrate specifically the resemblance during an up and down of a business cycle of the behavior of the individual and

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NASD Dist. 13 Elects Govs. & Committee

The following have been elected by District 13 of the National Association of Securities Dealers to take office on Jan. 16, 1948:

Board of Governors—Francis Kernan, White Weld & Co.; Philip L. Carret, Carret, Gammons & Co.

District Committee—Carl Stolle, G. A. Saxton & Co., Inc.; H. D. Knox & Co., Inc.; John H. Kitchen, Geo. D. B. Bonbright & Co.; Paul G. Devlin, Blyth & Co., Inc.; and James J. Lee, Lee Higginson Corp.

Abbott, Proctor Will Admit Geo. Stockly

George J. Stockly, member of the New York Stock Exchange, will become a partner in Abbott, Proctor & Paine, 14 Wall Street, New York City, members of the New York Stock Exchange and other leading exchanges, on Nov. 21. Mr. Stockly was formerly a partner in Greene & Stockly which is dissolving. Prior thereto he was a partner in Pell, Peake & Co.

Caldwell Repres'tive Of J. Barth Co. in N.Y.C.

J. Barth & Co., members of the New York and San Francisco Stock Exchanges, announce the association with them of Donald Caldwell as New York Sales representative with offices at 25 Broad Street, New York City.

With Herrick, Waddell Co.

KANSAS CITY, MO.—William L. Selby has been added to the staff of Herrick, Waddell & Co., Inc., 1012 Baltimore Avenue.

The Business Outlook

By HOWARD R. BOWEN*

Dean, College of Commerce and Business Administration, University of Illinois

Describing the five phases of postwar development as (1) reconversion; (2) rising prices; (3) readjustment; (4) recovery, and (5) a condition arising out of worn out effects of previous phases, Dr. Bowen analyzes total gross national product during the past three years and points out danger spots lie in probable reduction from present high rates of durable goods output, inventory accumulations and export volume. Sees present conditions as being "suspiciously like those prevailing before each major crackup" and cautions business should be on guard.

Five Phases

In considering our present position, I find that it is convenient to think in terms of five periods or phases in the postwar development of American business.

The first of these, *reconversion*, has by now been essentially completed. It has been a period of vast economic reorganization. The major problems have been to retool our industrial plants, to shift our labor and capital from wartime to peacetime industries, to demobilize our armed forces, and to reduce the scope of government operations, expenditures, and controls.

Howard R. Bowen

The second period, in which we now find ourselves, is a period of *rising prices*. The dominant problem is the excess of demand over supply which is evidenced by widespread shortages of goods. During this period, however, supply has been catching up—except in the case of certain food products. The food situation has recently been complicated by unexpectedly short production both at home and abroad.

The third period is *readjustment*. It is the period when supply will have caught up to demand in most lines, prices and business activity will decline, and many adjustments will take place in the relationship of costs to prices and in the structure of production.

The fourth period is a possible *recovery* period when the deferred demands for housing, heavy capital goods, and durable consumer goods will still bolster employment and prosperity.

Finally, the fifth period is *the longer-run* when the effects of the war—both depression and stimulating—will have largely worn off. The deferred demands will then be largely satisfied, the necessary readjustments will have been completed and the economy will be "on its own." This will be the real test of the ability of our free enterprise economy to provide high-level employment and an abundance of goods.

What I propose to do today is to discuss the first three phases of post-war business, namely, reconversion, rising prices and readjustment. In practice, these phases are not clearly distinguishable. It is not (or will not) be possible to assign a definite date to the ending of one and the beginning of the next. Nevertheless, I feel that it helps to clear up our thinking if we consider each separately.

Reconversion

The first phase *reconversion* is largely, but not entirely, past. I shall dwell on its only briefly.

It seems to me that the magnitude and difficulty of the task of reconversion has not been fully appreciated. We have tended to think of it merely as the re-tooling of individual plants and the changing of uniforms for civilian attire. These, as a matter of fact, have been the smallest, easiest, and the quickest parts of the task. The real problems have been the shifting of millions of people from one

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*From an address by Dr. Bowen before American Management Association, Chicago, Nov. 19, 1947.

Stop! Look! Listen! Before Adopting Relief Program

By HENRY J. TAYLOR*

Journalist and Author

Mr. Taylor urges us to note shortcomings of past relief expenditures before making further grants. Declares U. S. strength at home constitutes best hope for world peace. Demonstrates ruin to coal production under Socialist administration in Britain and Ruhr.

I come fresh from the impact of Europe. I have come back from a 5,000 mile automobile trip; probing around in the grass roots of Europe: England, France, Italy, Greece, Switzerland, Belgium, Holland, Germany.

You see a lot, you know, driving around in the highways and byways in an automobile that doesn't match up with propaganda: Especially in respect to what the people need and what the European governments need in the way of additional American aid.

Henry J. Taylor

In the past years of war, unnumbered men have died to give humanity another chance, and we who remain cannot say goodbye to their efforts, not when we humbly remember that they said goodbye to life itself.

The problems we face in Europe are a residual part of a tremendous endeavor in human uplift. They will always be with us, and that, I think, is the inner meaning of what we try to do for people abroad today.

There are no ends, no terminals in human uplift, no ultimates in the advance of human progress, no final goals that cannot be made better.

Our hearts are in the right place regarding aid to Europe. Humanity cries out for peace, and for the assurance of peace.

The will of the country and of the world is for food and fuel and peace and for a better living for everyone. No other nation in history has ever regarded the rest of the world in this light, and that is another reason why you and I can be proud we are Americans, and that is another reason why America is the Wonder Land of the World.

In looking ahead tonight at home and abroad, and in discussing current large proposals for European aid, I am especially conscious of the difference between the impact of these foreign aid proposals on the petroleum industry as distinguished from the impact on several other industries, such as steel, and on our economy as a whole.

Stock Exchange affairs are unique, very special, in their international nature. Any discussion of the effect of world aid on the security business represented by firms at this meeting is better discussed by men actually in the security business.

But, because we are concerned as citizens of our country, with the overall problem of world relief as it faces the nation, in every home, in every workplace, in every enterprise, my remarks tonight are quite aside from the security business, and the approach is in terms of the other elements involved.

Now in economic matters, the big emphasis is put not on the reality of European situations, but on how to propagandize us into action about them from our hearts instead of allowing us to think with our heads.

The appeal is to our emotions instead of to our brains, and I submit that this is a grossly unfair way to treat us ordinary people who have to work each day and earn our living, who are the ones who finally pay the bill.

Our problem and our duty as a good people—and we are a good people—is to help Europe, not according to our desires, but according to our careful judgments and to our powers. This does not permit continually giving Europe a blank check on our resources or on our lives.

America is a world power, but we became a world power because we were strong at home, and in no other way. We must remain so, or there is no other hope for world peace.

But remember, there is also no guarantee on our ability to remain strong, staying No. 1 in the world. In our quickly changing day, everything is quickened, the rise and fall of nations included—quicker than ever in history.

Weakness at Home

When home power is lost, world power is lost—not slowly these days, my friends, but rapidly. Why cannot England defeat Greece? I have recently been in Greece, and the British are pulling out of there. The reason is because England is weak at home. Why cannot England take an effective stand in the Far East for a free and independent China, where England's interests are fully as great as ours? Because England is weak at home.

Why cannot England modify and give balance to contrary elements on the continent of Europe only 23 miles away? Because England is weak at home.

And how long ago was England as strong in world affairs as we consider ouselves to be today? I ask this because our memories of history, perhaps are short.

Let's take a single lifetime that I have in mind.

Now, I have a friend, and his dear wife, out in Garden City, Long Island, and last Sunday they celebrated their 49th wedding anniversary. Next year their golden wedding anniversary will be here—they will have been married 50 years next year. They were married in the year 1898—not long ago to a great many of us in this room.

Now, just imagine, in their one lifetime, in the married lifetime of a lovely American couple, how rapidly the power picture has changed in this world.

What man or woman anywhere

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*An address by Mr. Taylor before Association of Stock Exchange Firms, New York City, Nov. 17, 1947.

From Washington Ahead of the News

By CARLISLE BARGERON

Maybe it was always thus, but it seems to me that never before have so many of our people—or people abroad, too, for that matter—sought to attract attention to themselves, at the same time. I don't think this form of self-expression has ever had such an urge. That old race of taciturn men who were content to look at the other fellow who yelled "Look at me!" has disappeared. Instead, everybody wants to be looked at himself.

Carlisle Bargeron

One of my earliest experiences with self-assertiveness, I suppose, was the youngster at the parties which we attended, who would stand on his head in the presence of the girls, do anything to be heard and seen. The rest of us resented this effort at "leadership" but we did so quietly. We did not try to do something crazier as we now would undoubtedly do.

Apparently the personalized journalism of "Time" has inflamed the egoes of all of us. We will do anything, from provoking a revolution in far-away Siam, to yelling our lungs out at the United Nations; from committing murder to imposing preposterous schemes upon our fellow citizens; we will call strikes and throw men out of work, we will demonstrate with Commies—anything if we can get a reference in "Time" that we are "muddle-headed," "brilliant," "dynamic," "two-fisted," "rattle-brained," anything complimentary or uncomplimentary and frequently a term we can't even understand. To get on the front cover as the Man of the Week or the Year, the numbers amongst us who will attempt anything are increasing by leaps and bounds.

This may all be a phenomenon of the New Deal, the emotions within the breasts of us, that it stirred up, because as I have mentioned before, it was the custom of the professors and brilliants who flocked to town to say something profane and shocking to their women dinner companions by way of showing their brilliance.

And the explanation of the $2,000 and $5,000 a week Hollywood Columnists who were in Washington recently was that they got that way through their urge to be shocking and provocative.

A milder form of this seemingly universal striving for recognition is the member of the National Press Club who tries to get on the committee which is appointed every time a member dies. The local papers carry the names of those appointed. I, myself, once supported a candidate for the club presidency on the understanding that I would not be overlooked in matters of this kind. I have my vanities, too.

In recent years there has been steadily developing another outlet for these urges to attract attention, perhaps one of the most sinister in our midst. It is the medium of signing petitions to Congress that are more and more frequently being published as ads in the Washington and New York newspapers.

Of a morning a few days ago there was one urging support for the Marshall Plan. It was sponsored by the so-called Stimson committee, and carried some 200 or more names. I think it is sinister because the plain suggestion was that here is a roster of America's leaders—in the arts, in agriculture, in labor, in industry, in finance. The implication is that it is an abridged Who's Who, the real Who's Who McCoy.

Plainly, this is an undemocratic procedure. In a so-called democratic nation of 140 million souls, why should these men and women, professing adherence to democratic principles, band themselves together in sort of an exclusive Phi Beta Kappa of American leadership?

It is apparent that the managers of the list of names appearing on these petitions are trying to set themselves up as Ward McAllisters selecting Mrs. Astor's Four Hundred. By this, I mean that it is always the same list, barring a few names here and there. Most all of the time, you will find Barry Bingham, the Louisville, Ky., publisher; you will find Dr. Conant; Anna Lord Strauss, President of the National League of Women Voters; you will find the same industrialists, same financiers. They apparently constitute the chosen few.

As I say, there are some variables on the list. For example, the Congressional Directory published in Washington, gives the names of the top bureaucrats, government officials, members of Congress, the Diplomatic Corps and the members of the Press Gallery. For the convenience of Washington hostesses, it puts a star or an asterisk by one who is "accompanied" socially by his wife or daughter so the hostess can invite them too.

Similarly, I imagine the names on this list have notations so that an industrialist will not be put on a petition denouncing the Taft-Hartley bill or a labor leader on one supporting it. On a petition such as to Save Europe you get a well - rounded - out bunch of names. Inhibitions on this are thrown to the winds.

The impression the Washington cynics, among newspapermen and congressmen, are getting is that the impressarios of this list, have standing orders from their clients for this and that category, that they just telegraph them when they've been put on a petition and get a reply "Thanks." If necessary to get in this selection of the nation's leaders, I'm prepared to go all out and subscribe to any movement. You see how wicked the whole thing is?

Joins du Pont Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Harold W. S. Walters has become affiliated with Francis I. du Pont & Co., 200 South La Salle Street. He was formerly with Ames, Emerich & Co.

Prices and Foreign Relief

By ALF M. LANDON*

Former Governor of Kansas

Former Republican Presidential candidate, though willing to accept thesis aid to Europe is necessary, warns unless caution is exercised and aid realistically applied, there will be no benefit to Europe and much injury to ourselves. Cites loan to Britain as instance of failure, and urges as partner in advancing money, United States should impose "tough" conditions to ensure increasing European production. Holds, in our loan policy, we are repeating mistakes of World War I, and, calling Krug Report "basic eyewash," points out our exports of essential equipment are already hampering out economy and creating black markets. Advocates more economy in Government.

What is the first duty of government heads today everywhere? It is to bring about peace—normal conditions—lasting peace— not merely a truce.

Two years ago we thought we were triumphantly and proudly facing a peaceful world for evermore. Almost every succeeding month has seen our high hopes diminished. Peace has not had its ups and downs. It has all been down.

Alf M. Landon

Whatever we do for others we must do out of our own savings. Saving at the table—saving in the cost of our Federal Government—if we are to stop soaring prices. We should not allow anyone to delude us into thinking that domestic prices are not directly tied to international relief.

Also, we should not adopt any makeshift stop-gap program.

Now, the United States is an extraordinarily strong nation. We can stand strains of unbelievable magnitude and continue to move forward. Nonetheless, there is a limit beyond which we cannot go, and if there is any one fact which is clear in the international field today it is that world recovery will not be aided by having this country bled white through wasteful and inefficient dissipation of our resources for the perpetuation of fundamentally unsound conditions in Europe.

In my judgment, we know so little of the actual European food situation that it is difficult to develop a program which anyone can be certain will fit the situation. Throughout Europe we have such a bad currency situation that the public in each of the countries is unwilling, except under dire necessity, to trade good goods for bad currency. This means that farmers and everyone else have a tremendous urge to hoard, and the necessary effect of this is that all food statistics are inaccurate, perhaps in a very major degree.

This does not mean that there is not a food shortage in Europe. Within the cities there is a food shortage beyond any doubt, and this will continue to be the case as long as there is a currency situation which makes those who raise food unwilling to sell their products. In the country districts it is highly doubtful that there is any real danger of serious undernourishment and I suspect, although clearly I cannot prove it, that if it were possible to get a good distribution through free markets in the various European countries we would find that, with few exceptions the over-all food picture is much less serious than is being painted to the American public.

Must Be Realistic in Giving Aid

For the moment, however, I am willing to accept the thesis that aid is necessary, and probably fairly substantial aid. But there has to be some realism about it. The know-it-all hallelujah internationalists are once again hurling epithets at anyone trying to approach this question realistically. It seems to me, nonetheless, that it is only a part of elementary common sense to distinguish clearly between what we offer in the way of aid to prevent human suffering and what we provide in the way of funds for rehabilitation. This distinction theoretically is being maintained by the Administration, but in practice the two types of aid are so intermingled that, if we are not careful, we will find that all of our money is used for purposes which, when it is gone, will leave Europe in just as bad shape as it is today.

In other words, we are in grave danger of repeating the error which we made in our so-called loan to Great Britain. When this loan was made it was told to the American public that this would carry Great Britain over five years and enable her to get back on a sound basis. The loan now has been used up in a little over one year, rather than five years, and Britain is no further along the road to recovery than she was when we first granted the loan.

The only possible salvation of Europe is, not to keep her on the relief rolls, as we have been doing

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*An address by Mr. Landon before South Central Business Association, Inc., Kansas City, Mo., Nov. 18, 1947.

Public Utility Securities

Financing the Utility Construction Program

During the years immediately following World War I the utility companies engaged in a moderate expansion program, raising about $300-$500,000,000 in new money annually. In later years, however, with lower material costs, declining money rates, and the increasing popularity of stock flotations, new financing increased year by year, reaching peaks of $2,077,000,000 in 1927 and $2,365,000,000 in 1930. The size of the 1930 program would probably have been much smaller if it had not been for President Hoover's appeal to the utility companies to increase their expenditures to offset the effects of rising unemployment in the depression. Even in 1931 the utilities raised nearly a billion dollars of new money and in 1932 over a quarter of a billion, but from there on new money financing was limited to almost insignificant figures for a number of years.

In 1941 the figure rose temporarily to around $400,000,000, then dropped again as wartime priorities prevented the utilities from obtaining needed equipment. In 1946, however, the total was over $800,000,000 and for the first nine months of 1947 over $1,100,000,000. These figures include the large amount of new issues for the telephone industry as well as for the electric and gas industries and smaller divisions of the utility industry.

Of course, the figures for new capital do not give an accurate picture of the amount of construction. About $100-$200,000,000 property is retired annually. Depreciation reserves, amortization charges, and invested earnings are also used to pay for construction. During 1933-46 actual "new capital" as represented by security sales contributed only a small proportion of the total construction funds required.

The electric and gas utilities have now started a big expansion program which contemplates increasing capacity about one-quarter over the next three or four years. The telephone system has a somewhat similar program and the natural gas companies are planning a huge pipeline construction program. Altogether these exenditures may call for a total of some $2-$3,000,000,000 per annum, of which amount half or more is being raised through security offerings.

During the decade 1919-1929 a substantial amount of new financing was in preferred and common stocks, the amount reaching a peak of $1,229,000,000 in 1929. Beginning in 1932, however, new money stock financing was negligible in amount, averaging only about $5,000,000 a year up to 1940. During 1940-1945 the amount averaged about $25,000,000, in 1946 it was $142,000,000 and in the nine months ended Sept. 30 this year $165,000,000.

Obviously, the utilities have not been doing an adequate amount of stock financing. In addition to the large amount of new money bonds sold in 1946-1947 there have been innumerable bank loans, small individually but large in the aggregate. Unfortunately, no figures are readily compiled to show the total amounts borrowed from the banks. Current low money rates on bank loans, together with the ease of effecting loans, have perhaps resulted in an undue amount of such financing.

The utilities are largely dependent on institutions (insurance companies, banks, special funds, etc.) for raising new money. In recent months, however, the institutions have been rather fully invested and the heavy demand for funds has resulted in considerable irregularity in the investment market. Bond yields have risen nearly a half per cent and preferred stock yields one-half to one per cent. In fact, there has been considerable difficulty in obtaining competitive bids for preferred stock issues and there is a current trend towards local financing.

A number of companies have issued rights to common stockholders to buy new common stock, or securities which are convertible into common. There may be increasing use of such methods for equity financing because of the difficulties encountered with competitive bidding for large stock issues.

Change Tax Laws, Schram Demands

President of Stock Exchange declares we face nationalization of industry in absence of income tax reform.

Speaking at the annual dinner of the Association of Stock Exchange Firms in New York City, Nov. 17, Emil Schram, President of the New York Stock Exchange, vigorously declared that Congress must promptly revise our Federal tax system so that industrial expansion can be financed by private capital without resort to partial or complete socialization.

Emil Schram

At present, Mr. Schram said, there is an unprecedented demand for capital, but "we find it is unavailable and the government has done a good job of socialization of the country. It has dried up the sources of capital and unless it is corrected by a realistic tax program by Congress we are heading for nationalization of industry just as sure as I am speaking to you tonight."

"There is no strong country standing by to save America. The American people must save America," he continued.

Mr. Schram said he hopes that Congress will try to take into consideration the future of America when it meets to consider aid to Europe because America must be made strong.

"America must try to save America as we have tried to save Europe," he added. "There is no great nation to stand by to save America," Mr. Schram said and concluded by indicating that that will be the program of the New York Stock Exchange in the months to come.

Elected Directors

James Smith, Assistant Vice-President of the Bank of America; Lewis Henry, Reynolds & Co., and Floyd D. Cerf, Floyd D. Cerf Co., Inc., have been elected directors of the Fleming-Hall Tobacco Co.

Three With Southeastern Securities Corporation

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, FLA.—Michael R. Grace, Charles A. Korbly and Fred M. Reese are now with Southeastern Securities Corporation, 304 West Adams Street.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Commission Computations—Round-lot charges and odd-lot charges—Tables worked out to ⅛ of a point—Copies available to members of the Philadelphia Stock Exchange at the wholesale price of $1.00 for one copy of each of the two tables—Secretary, Philadelphia Stock Exchange, Philadelphia, Pa.

Legal Authority, Tax Limitations and Debt Limitations of Texas Municipal Bonds—Pamphlet—First of Texas Corporation, Transit Tower, San Antonio 5, Tex.

New York City Bank Stocks—Earnings comparison of 19 New York City Bank Stocks for third quarter of 1947—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Railroad Developments of the Week—Current developments in the industry—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Special Situation—Analysis of 85-year-old New England company with large dividend accumulation—Raymond & Co., 148 State Street, Boston 9, Mass.

Steel, The Master Metal—Circular on the industry and stocks of several low-priced speculative steel companies—Mercer Hicks & Co., 150 Broadway, New York 7, N. Y.

* * *

American & Foreign Power Co., Inc.—Analysis—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Aspinook Corp.—Special Report—Ward & Co., 120 Broadway, New York 5, N. Y.

Also available is a special report on **Portsmouth Steel.**

Boston & Albany—Analysis—B. W. Pizzini & Co., 25 Broad Street, New York 4, N. Y.

Dan River Mills—Descriptive circular—Strader, Taylor & Co., Inc., Peoples National Bank Building, Lynchburg, Va.

Fleetwood Airflow, Inc.—Memorandum—Fitzgerald & Co., Inc., 40 Wall Street, New York 5, N. Y.

Franklin County Coal Corp.—Late information—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Glen Alden Coal Co.—Memorandum—Coffin, Betz & Sullivan, 123 South Broad Street, Philadelphia 9, Pa.

Graham-Paige Motors Corp.—Analysis—Seligman, Lubetkin & Co., 41 Broad Street, New York 4, New York.

Also available are analyses of **Osgood Company "B," Tennessee Products & Chemical and Fashion Park.**

Libbey-Owens-Ford Glass Co.—Summary and opinion—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

Michigan Chemical Common—Circular—Blair F. Claybaugh & Co., 52 Wall Street, New York 5, N. Y.

Also available is a circular on **Oxford Paper.**

Michigan Steel Casting Co.—Analysis—Adams & Co., 105 West Adams Street, Chicago 3, Ill.

National Union Fire Insurance Co.—Analysis—Dempsey-Tegeler & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Nekoosa-Edward Paper Co.—New memorandum—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Northern Indiana Public Service—Circular—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

Pittsburgh Consolidation Coal Co.—Study of promising growth situation—Company, which is largest producer of bituminous coal engaged in a long-term research program to convert the inherent energy of coal into gas and gasoline, Diesel oil, etc.—D. H. Ellis & Co., 52 Wall Street, New York 5, N. Y.

Portland General Electric Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Portsmouth Steel Corp.—Data—Buckley Brothers, 1240 Walnut Street, Philadelphia 2, Pa.

Also available is late information on **Eastern Corp.** and **Gruen Watch.**

Public National Bank & Trust Co.—Third quarter analysis—C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y.

Southland Royalty Co.—Analysis—Herbert E. Stern & Co., 30 Pine Street, New York 5, N. Y.

Springfield Fire and Marine Insurance Co.—Detailed report—Geyer & Co., Inc., 67 Wall Street, New York 5, N. Y.

Twin Disc Clutch Co.—Analysis in current issue of "Business & Financial Digest"—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Utica & Mohawk Cotton Mills, Inc.—Circular—Mohawk Valley Investing Co., Inc., 238 Genesee Street, Utica 2, N. Y.

COMING EVENTS

In Investment Field

Nov. 21, 1947 (Detroit, Mich.)
Securities Traders Association of Detroit and Michigan Annual Fall Party at the Prince Edward Hotel, Windsor, Ontario, Canada.

Nov. 30-Dec. 5, 1947 (Hollywood, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Dec. 5, 1947 (San Francisco, Calif.)
San Francisco Bond Traders Association Christmas Party and installation of officers.

Dec. 15, 1947 (Cincinnati, Ohio)
Cincinnati Stock and Bond Club Annual Christmas Party at the Pavillion Caprice, Netherland Plaza Hotel.

March 5, 1948 (New York City)
New York Security Dealers Association 22nd Annual Dinner at the Waldorf Astoria.

Nov. 15-18, 1948 (Dallas, Tex.)
National Security Traders Association Convention.

Problem of Rising Bank Costs

By WM. FULTON KURTZ*

President, The Pennsylvania Company for Banking and Trusts

Commenting on fact bank operating earnings have lagged behind increased business, Mr. Kurtz warns banks are approaching "break even" point at a time when their risks are rising. Sees need for increased loan rates and service charges, and urges banks make study of and set up schedules of charges conforming to rising costs.

I think satisfactory earnings over the past few years have, perhaps, caused us to gloss over certain trends that bear careful watching. May I develop with you certain significant statistics and data in the light of their possible import. I shall have to quote a lot of official figures, but solely for the purpose of demonstrating trends. I suggest you don't try to memorize them as we go along.

Bank earnings have been good and are still good outside (I accent outside) the central Reserve and Reserve Cities in the east. When I speak of earnings I mean true operating income, not securities profits and other gains. For all insured commercial banks back in 1938 true operating earnings were $426 millions, and in 1946, $776 millions.

That's an increase of 82% but in the same period the country's money supply (deposits and currency) increased from $53,800 millions to $147,364 millions, or an increase of 160%. Thus (and I stress this) true earnings have increased only half as fast as volume. That suggests that, like industry in general, our "break-even" point is going up sharply. That is always a warning signal.

Let's see what happened to the expenses of all insured commercial banks from 1938 to 1946. Well they increased from $1,158 million to $2,087 million or 80%, and salaries and wages increased from $473 million to $831 million, or 78%. Thus income, expense and wages kept pretty much in step with one another, but far out of step with volume. Of course the vast bank holdings of low rate government paper accounts largely for income lagging behind volume.

Bringing our figures more nearly to date, and closer to home, we find that for our third Federal Reserve District in the six months ended June 30, the local city banks operating net is off 16% and the so-called country banks up 4%. If we include all net profit the banks of the Third District are off $8,100,000, or 27% below the first six months of 1946.

Again to stress this declining trend: For the nine months ending Sept. 30, last, the 11 largest New York City banks reported average net profits of $8.60 per share as against $11.25 per share in the same period of 1946—a decline of 31% and of 42% when compared to 1945.

And all of this in the face of a very sharp increase in loans.

Coming back to the Third District and comparing our first six months expenses with the same period of 1946, we find total expenses up $4,400,000, or just over 10% and wages and salaries up $1,900,000 or just over 11%. Here you may take some comfort from the fact that national bank expenses for the country are up 16% and wages 18% as against our district's 10% and 11%. Whether that's better expense control, a slower rate of growth, or a larger number of Scotch bank presidents, I'll leave for your own interpretation. I question, however, if we have yet seen the peak of our costs.

Now just one more piece of gloom—but one that you and I just can't afford to disregard. Just about 75% of the total holdings of government bonds by the banks mature within five years. If the Treasury continues its policy of unfunding the debt, of offering only short paper for our maturing or callable bonds, we'll have a real earnings problem. For instance over the next two years $7,311,000,000 of governments with coupons of 1½% or larger come due. The weighted average rate is 2.03% and, as several issues are free of normal tax, the net return is 1.66%. Assuming my friend Mr. Snyder gets liberal and gives us a 1¼% note (and no tax relief) the net return will be just over ¾% or less than half the present income on this particular $7,311,000,000 of bonds. Carry such a program to its ultimate conclusion and you and I, charged with bank management, might well join the training course for Fuller Brush salesmen.

Up to this point I have deluged you with figures to prove my contention that bank earnings are showing an unwholesome trend at the very time that our risk loans are rising, and when we should be building our reserves for eventualities.

Now what can we do about it? Certainly we shouldn't seek higher earnings by reducing the quality of our portfolio of loans and investments—no rate of income will compensate for any material shrinkage in principal — what then?

Aside from the small economies which good expense control may effect, I see only two major ways in which we may substantially bolster our earnings, or at least compensate for rising costs:

First: Increased rates on loans.

Second: Increased service charges.

Let me briefly develop each. Loan rates are far too low—too low for your comfort and mine—and, I firmly believe, too low for the good of the borrower, and our economy in general.

And why are loan rates so low? Well the glib answer is to blame Washington and its fiscal and monetary policies. True the short government rate has a substantial influence but it's not the answer. Now mark this, and I say it advisedly: The true answer lies in the plain fact that due to competitive factors the banker, particularly in the money centers, hasn't the courage to charge what the accommodation is worth. I have argued with the brass hats of some of our country's largest banks and always it comes back to the admission that, if they try to raise the ante, Bank "A" or Bank "B" or "C" will steal the loan. "Competition may be the life of trade—and the death of bank profits."

Within the past three weeks the financial Vice-President of one of our largest and strongest sales finance companies told me he

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*An informal address by Mr. Kurtz at the Fourth Annual Bank Correspondent Conference of the Pennsylvania Co. for Banking and Trusts, Philadelphia, Pa., Nov. 6, 1947.

A Restored Europe Our Aim!

By HON. GEORGE C. MARSHALL*

Secretary of State

Secretary Marshall in outlining U. S. policy for peace and aid to Europe, denounces as "brazen and contemptuous" Soviet propaganda accusing this nation of imperialism, warmongering and dumping of surplus goods. Says our aim is "production, reconstruction and recovery" and insists on restoring Germany economically, with international allocation of Ruhr output. Calls for end of tragic stalemate in Council of Foreign Ministers and concludes we will follow in our traditional path for world peace and foreign aid despite propaganda and provocation.

The American people, I believe, have a sound understanding of the basic principles and objectives of our foreign policy. These have been expressed on many occasions by responsible officials of the government beginning with the President. They are understandable, I believe, to you all because they have their origin in the American conscience and in the deeply rooted traditions of our people. No American, I am sure questions the desirability of this country promoting wherever it can the right of people to govern themselves and the rule of impartial law as against the exercise of arbitrary power. These principles require no elaboration. But, true as they are, such generalities do not always serve to clarify for our people the current problems with which we are now faced. They do not in themselves answer the question, "What is it all about?" they do not in themselves provide an answer as to why at almost every turn we find ourselves in disagreement with another power with whom we were so recently allied in the common cause. I shall tonight confine myself to the problems relating to one area of the world which at the moment are occupying the attention of the Administration and the Congress and with which in another aspect I will be dealing at the meeting of the Council of Foreign Ministers which opens in London, Nov. 25. That is the related problem of the revival of the European community and the peace settlements with Germany and Austria. I shall try to avoid oversimplification, on the one hand, and bewildering detail on the other.

George C. Marshall

In my statement before the committees of Congress on Nov. 10, I laid great stress on the entity known as Europe and its importance to the world and to the United States in particular. So important to the understanding of our present problem is the meaning of the European community that, at the expense of repetition, I will restate it. Europe, or what through centuries has been known as Europe, is a community of nations which despite racial and religious differences, commercial rivalries and sporadic internecine wars, has developed governmental procedures and an advanced civilization. We are a part of that civilization. Our national traditions—the foundation on which our entire civilization rests—find their counterpart, if not their origin, in some part of this European community.

Europe is a natural grouping of states designed by geography and history to function as a community if it is to function well. Because of the character of its people, the nations comprising the European community function harmoniously and effectively only if they are permitted to operate of their own free will. The logic of history would appear to dictate the necessity of this community drawing closer together not only for its own survival but for the stability, prosperity, and peace of the entire world.

Due to the Nazi attempt to subjugate the entire European community, Europe was plunged into a great war. The central question that arose at the end of this war was, in effect, what was to be the future of this European community. Was it to be restored to a position of stability so it could work out its own problem, or was it to be kept in a state of permanent dependency and eventual absorption into a system alien to its traditions and civilization?

It is generally recognized that the major responsibility for finally crushing Nazism devolved upon three powers, none of which can be strictly classed as a continental European state. The efforts of two of these powers have been consistently directed since the military victory toward the restoration of the European community to its former status. They have been so directed partly out of compassion but primarily, I think, because they recognized the historical fact that a revived, revitalized Europe is necessary to a peaceful and prosperous world order.

For centuries Europe occupied a pre-eminent position, and exercised a dominant influence in international affairs. Before the recent war it was one of the two highly industrialized areas on earth and enjoyed a correspondingly high standard of living. Today, Europe is devastated and dispirited, but once it regains strength and confidence it will draw on its store of resources, energies, skills and spiritual qualities and again make major contributions to world progress. This is the goal of those who are genuinely devoted to the cause of European recovery.

Unfortunately, it has become apparent that the third great power which contributed so much to the common victory evidently does not share that purpose. For reasons that are still obscure, it is endeavoring apparently to prolong the present unsatisfactory state of affairs indefinitely. If this purpose prevails, obviously the prosperous European community we knew before the war cannot be re-established within the foreseeable future.

This brings me to an important conclusion. It is the divergence of purpose concerning the future of Europe which is the cause of many of the present differences between the United States and Soviet Russia. The divergence is not due to any direct clash between the national interests of these powers.

It is my belief that if Europe is restored as a solvent and vigorous community, this issue will have been decided and the disturbing conflict between ourselves and the Soviets, insofar as Europe is concerned, will lessen.

It seems evident that as regards European recovery, the enlightened self-interest of the United States coincides with the best interest of Europe itself and of all those who desire to see conflicts of whatever nature resolved, so that the world can devote its full attention and energy to the progressive movement of the well-being of mankind. The place to begin that process is in Europe.

I have referred to the fact that Europe formerly stood as a strong and constructive element of the world's economy and political order. Its trade, both among the European countries themselves and with other regions, was a major factor in the international exchange of commodities and services and was a direct stimulus to productivity throughout the world. The stabilizing influence which Europe as a concert of independent nations exercised on the remainder of the world was a basic factor in assuring the security of our own nation—a fact which we acknowledged by twice committing our total resources to the preservation of the integrity of the continental community, free of single-power domination.

The near collapse of Europe has left weakness where once there was strength, and has created in effect a political and economic vacuum. It is certainly not our

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*An address by Secretary Marshall at a dinner sponsored jointly by the Chicago Council of Foreign Relations and the Chicago Chamber of Commerce, Chicago, Ill., Nov. 18, 1947.

Connecticut Brevities

Southern New England Telephone reported a 7.1% increase in toll calls in September of this year over September 1946. Total telephone revnue was $3,422,385 against $3,154,847. Income available for fixed charges for $151,493 against $332,958 while net profit available for dividends was $73,580 against $270,818.

At the end of September, 630,871 telephones were in service, an increase of 10% over September 1946. The decline in net income was attributed to the retroactive pay increase granted employees earlier in the year.

* * *

Bullard Company in its report to the SEC showed sales of $13,593,271 for the quarter ended Sept. 30, 1947. Nine months' sales totaled $41,370,557.

* * *

$7,500,000 New York, New Haven & Hartford Railroad Equipment Trust certificates were awarded to Salomon Bros. & Hutzler and associates on a bid of 98.639 for 2½s. The certificates were dated Nov. 1, 1947, and due $500,000 annually Nov. 1, 1948, through 1962. Reoffering prices were scaled from a 1.40% basis to a 2.85% basis.

* * *

Yale & Towne Manufacturing Company in its report to the SEC showed gross revenue of $14,505,617 for the quarter ended Sept. 30, 1947. The total for the nine months was $44,598,952.

* * *

Hartford Products Corp., a subsidiary of the Silex Co., has received a contract for the production of a new vacuum type coffee maker for Firestone Tire & Rubber Co. The volume of the contract is dependent upon the number of distribution outlets to be established.

* * *

The Hartford-Empire Company showed net income (after federal taxes) of $203,663, or earnings of 71¢ a share (based on 268,405 shares outstanding) for the nine months ended Sept. 30, 1947.

The statement for the nine months ended Sept. 30, 1947, showed an indicated book value of $33.60 a share against $22.50 on the basis of an equal number of shares outstanding Dec. 31, 1947.

* * *

For the month of October, Connecticut Light & Power Co. reported sales totaling 92,142,000 kilowatt hours compared with 87,359,000 kilowatt hours for the corresponding month a year ago. This represents an increase of 5.5%.

* * *

Freight carloadings of the New York, New Haven & Hartford Railroad at 14 Connecticut cities for the month of October were 11,220 against 12,536 for October 1946—a decline of 10.4%.

* * *

For the month of October, the United Illuminating Company reported sales for the New Haven division (exclusive of those to Connecticut Light & Power Company) totaling 26,111,866 kilowatt hours. This is a 13% increase over the corresponding month a year ago when 23,101,169 kilowatt hours were sold. The Bridgeport division, for these same months reported sales of 34,599,142 and 33,407,641, respectively, an increase of 3.2%.

* * *

Hartford Rayon Corp. in its report to the SEC showed sales of $566,050 for the quarter ended Sept. 30, 1947.

* * *

The American Hardware Corporation of New Britain has elected three new directors to its board: Winthrop W. Spencer, President of the Colonial Trust Company of Waterbury; Stanley T. Goss, President of the Goss & DeLeeuw Machine Co., and a director of Hart & Cooley, Fafnir Bearing, and Rogers Sash & Door Companies of New Britain; and Frederick L. Morrow, President of North & Judd Manufacturing Company, and a director of the Savings Bank of New Britain, New Britain Trust Company, and Union Manufacturing Company, all of New Britain.

The company declared an extra dividend of 25¢ and a quarterly payment of 25¢, both payable Jan. 2, 1948, to stockholders of record Dec. 10.

* * *

Stockholders of the Northeastern Insurance Company of Hartford have approved the recommendation of the directors to reduce the capital from $1.5 million to $1 million. This is accomplished by reducing the par value from $5 to $3.33⅓ a share and adding the $500,000 thus released to surplus.

This increase in surplus will permit the company to handle a greater volume of business.

* * *

Dictaphone Corp. has declared a dividend of $1.25 a share payable Dec. 2 to stockholders of record Nov. 21. This will bring payments to a total of $2.00 for 1947 against $1.75 paid in 1946.

Bendix, Luitweiler Open Dept. Under Alcock

Bendix, Luitweiler & Co., 52 Wall Street, New York City, members of the New York Stock Exchange, announce the opening of a Municipal Bond Department under the management of Thomas R. Alcock, formerly with A. M. Kidder & Co.

Does the United States Face a Petroleum Shortage?

By JOSEPH E. POGUE*

Vice-President, The Chase National Bank

Petroleum authority cautions against being misled by early spot shortages, or by great expansion of demand, tending to create apparent inadequacy of supply. Asserts in next decade supply and demand can be balanced out of existing resources; and over longer future, technology combined with free enterprise will permanently guarantee adequate supplies.

If I may borrow a phrase coined in Detroit, its adaptation would be: "When larger supplies of petroleum are provided, the petroleum industry will produce them." In the highly specialized activities comprising the oil business, we have a mechanism of established competence which must rank, if realistically viewed, as one of the most effective productive organisms the world has seen. Its economic and social accomplishments have been remarkable and far beyond rational expectations. There is every reason to believe that this type of enterprise can be relied upon in the future, provided its mainspring is not broken. The American economy is fortunate in having such an important responsibility lodged in tried and proven hands.

Joseph E. Pogue

This audience is probably interested in two questions: Will the supply of oil this winter fall short of requirements? and, Will our economy over the longer term be retarded by lack of oil?

I shall attempt to throw some light on each question, not by any esoteric method of prediction, but by analysis of the principal economic forces at work and their projection into the future.

Both questions reflect the inflation phase of the business cycle in which we find ourselves. In a different setting and with different interests in mind, our questions might be phrased: How long will the oil boom last? How soon will the oil industry run into overproduction such as has marked much of its existence between the two world wars? But for this audience, it may be well to stick to the consumer point of view.

Present Supply Situation

It is widely known that oil is in tight supply and that the fringes of demand are being met with difficulty. This would be bound to be the case under conditions of expansion, even with supply and demand exactly balanced on an over-all basis, for under such circumstances it would not be possible for all elements of supply and demand to fit to a nicety everywhere, and local areas of overage and underage would result. These conditions would give rise to spot shortages here and there which would attract wide attention and create the impression of great stringency. To the relatively few individuals affected, the deficits would appear to be particularly severe. Such, I think, has been the situation this year, with areas in short supply a little more conspicuous in the Middle West than elsewhere. As a result allocation to dealers in some sections has been witnessed, buyers in certain instances have not been able to get all the oil desired, and endless discussions in the press and many official investigations have been instigated. But nothing more critical than inconvenience has thus far been entailed. There has been more smoke than fire.

But what of the months ahead? Of the winter period? We are told that the country faces a deficiency of fuel oils and that many consumers will be scantily served. Here there appears to be some substance to this fear, for we are in a period of inflation which, along with other causes, has had the effect in 1947 as compared with 1946 of stimulating a 10% increase in the over-all demand for oil products. Consider for a moment the significance of such a large jump in requirements on top of a volume that had already grown 37% between 1939 and 1946 and had reached a daily level in excess of 5 million barrels. The increment in demand this year is expected to average 530 thousand barrels per day, over 50% of our rate of consumption during World War I and greater than the current per capita consumption of any other country in the world excepting Canada, Australia, and New Zealand! Do not these considerations suggest that in oil, as in many other segments of our economy, demand has been overstimulated rather than that supply is at fault? There are more dollars to buy with than there are goods to go around. Under these circumstances would not the term "overage of demand" be a more accurate designation than "shortage of supply"?

Increased Demand

But, so far as oil is concerned, this it not the whole story. The demands for the various derivatives of petroleum are growing at different rates, and recent events have conspired to accelerate the rates of growth of the products which go mainly into the production of heat as compared with those used for the generation of automotive power. For example, the fuel products—kerosene, distillates, and fuel oil—are expected to show a 13% increase in consumption in 1947 as compared with a 7% increase for gasoline. This differential change is largely the result of an active, even extreme, shift from coal to oil and preference for oil over coal. In October the rates of increase were running higher than the percentages named, but these additional accelerations may have been caused by the stimulating effects of warm weather on gasoline consumption and consumer stocking of fuel products in anticipation of higher prices and fear of shortages.

Against these extraordinary increases in consumption, running 10% as a whole but ranging from 7% to 16% for the principal products, supply has expanded substantially, even remarkably, and promises to be sufficient on an overall basis to balance a 10% enlargement in demand. But inventories are low, in late October standing at 80 days' supply against 98 the year before, and therefore do not provide much of a buffer should demand expand more than 10%. Moreover, there is an element of inflexibility in the unvailability of the marginal elements of supply as a result of a lag during the war years in the normal expansion of transportation and other facilities and the impossibility, in the presence of a shortage of steel, of catching up in a single year; not to mention the effects of tie-ups as the result of strikes. These bottlenecks will doubtless be broken in a relatively short period of time, but the extensive construction under way cannot be completed this winter. The supply factors at the source, crude oil producibility and refinery capacity, are sufficient to permit further expansion, which emphasizes that the short-term situation is characterized by difficulties of distribution rather than by basic inadequacies of supply.

Therefore a tight situation may be expected to prevail this winter. This condition will probably be confined to the fuel products and to the Middle West and Eastern Seaboard, the areas most distant from the sources of supply. I should expect "tight" to be a more accurate characterization than "critical" and I should look for the various parts of supply and demand to come more closely into balance in 1948 upon the completion of transportation facilities now under way, the commercial disposition of the tankers still held by the United States Maritime Commission, and as a result of the retarding influence of price upon demand. But a tight situation will doubtless create spot shortages which will be accentuated should the season turn out to be abnormally cold or if further delays resulting from strikes supervene.

Measures Planned

The petroleum industry, however, is fully alive to the situation and will take extraordinary measures to move supplies into the deficit areas. I doubt if anything but harm can come from any centralized efforts to direct, allocate, or control on the part of government, either Federal or State. Our system works best in the presence of moderate overages of supply and ample inventories, and competition is constantly striving to bring these conditions to pass. Interference with these efforts is apt to retard their effectiveness and perpetuate the stringency. After all, our present difficulties arise from consumers' preference for oil, acceleration of use arising from inflationary forces, and the inherent lag in the expansion of facilities to catch up with a violent upsurge in demand. The consumer has a very competent industry working on his problems and he could do worse than to leave the matter in its hands.

Despite the interest universally manifest in the petroleum situation for the months immediately ahead, a much more important consideration is the outlook for the longer term, say for the next ten years. We shall endeavor to analyze the forces under way which should provide some measure of preview for this period. As a basis for this analysis, it is necessary to orient ourselves by a look at the past.

The Long-Term Outlook

In the first place, it is desirable to emphasize the obvious: our industrial civilization is dependent upon energy. There are five important forms of energy: solid, liquid, gaseous, electric, and (a newcomer) atomic. Each has special fields of application, or "form values," which overlap but yet are distinctive. For example, energy in liquid form is best suited for automotive transportation; energy in gaseous form is the most convenient for heating; energy in electric form is the most appropriate for many manufacturing

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*An address by Mr. Pogue before the Detroit Economic Club, Nov. 17, 1947.

Michigan Brevities

An offering of 233,320 shares of common stock of Graham-Paige Motors Corp., manufacturers and distributors of farm implements, and owners of 17.79% of the outstanding common stock of Kaiser-Frazer Corp., was made on Nov. 13 by Allen & Co., New York, N. Y., at $5.87½ per share, the closing price that day on the N. Y. S. E. The net proceeds are to be added to working capital and to pay off bank loans.

Net sales of Graham-Paige for the seven months ended July 31, 1947, were $12,306,185, exceeding the figure of $11,513,576 for the entire year 1946. Net income for the seven months' period, which amounted to $204,288, was affected by losses resulting directly or indirectly from the automotive business of the corporation, which has been sold.

Sales of farm implements in the first seven months of this year amounted to $8,263,610, compared with $5,346,511 for all of 1946.

* * *

On Nov. 6, First Michigan Corporation participated in the public offering of 150,000 shares of no par value $4.25 cumulative preferred stock of General American Transportation Corp. at $98 per share and accrued dividends and of $15,000,000 first mortgage bonds, series G, 3⅛%, due Nov. 1, 1977 of Public Service Co. of Indiana, Inc. at 101.625 and interest.

* * *

Watling, Lerchen & Co., Detroit, was a participant in the public offering on Oct. 29 of $10,000,000 2¾% sinking fund debentures due Oct. 1, 1967, and 100,000 shares of no par value $4 cumulative preferred stock of Minnesota Mining & Manufacturing Co. The former was priced at 100¾ and interest and the latter issue at $102 per share and dividends.

Watling, Lerchen & Co. was also among the group of investment bankers which underwrite the recent offering to common stockholders of The Standard Oil Co. (Ohio) of an additional issue of 584,117 shares of common stock (par $10) at $23.75 per share.

* * *

Bradbury-Ames Co., Grand Rapids, participated in the public offering on Oct. 29 of 150,000 shares of $1 par value common stock of Ero Manufacturing Co. at $7 per share for account of selling stockholders. This issue was oversubscribed.

* * *

An underwriting syndicate headed by Reynolds & Co. of New York, and including, among others, Wm. C. Roney & Co. of Detroit, on Oct. 28 publicly offered 120,000 shares of 4¾% cumulative convertible preferred stock (par $25) and 500,000 shares of $1 par value common stock of Robertshaw-Fulton Controls Co., the former at $26 per share and the latter at $8.50 per share. The common shares were offered in behalf of the Reynolds Metals Co., the sole holder of these shares before giving effect to this financing.

* * *

Sealed bids will be received by Homer R. Marson, City Comptroller, until 10 a.m. on Nov. 26 for the purchase of $6,329,000 Detroit transit revenue coupon bonds, dated Feb. 1, 1947, with interest not to exceed 4%. They are to mature each Feb. 1, from 1948 to 1960, inclusive.

* * *

The directors of Hoover Ball & Bearing Co. of Ann Arbor on Nov. 13 declared a cash dividend of $1 per share on the $10 par value capital stock, payable Dec. 22 to holders of record Dec. 1, 1947. This brings total cash payments this year to $2.50 per share, compared with $1.75 in 1946. The board of the Hoover company also authorized the issuance of 34,856 additional shares of capital stock to go to stockholders of record Dec. 5, 1947, on the basis of one new share for each four shares held. It is anticipated that the stock will be distributed on or about Dec. 22.

* * *

The Detroit Stock Exchange reports that trading in October, 1947 totaled 432,444 shares having a market value of $4,754,957.36. This compares with September volume of 260,442 shares valued at $2,865,608.29, and represents the largest volume since September, 1946 when 467,856 shares were traded.

The 11 most active stocks on the Detroit Stock Exchange during October, 1947 were Detroit & Cleveland Navigation Co., Detroit Edison Co., Electromaster, Inc., Gar Wood Industries, Inc., Gerity-Michigan Corp., Kaiser-Frazer Corp., McClanahan Oil Co., Packard Motor Car Co., Peninsular Metal Products Co., Warner Aircraft Corp. and Wayne Screw Products Co. A total of 217,714 shares of these 11 companies were traded.

* * *

Metropolitan Motor Coaches, Inc., Detroit, a new company organized by William B. Livingston, its President, succeeds Transit Buses, Inc., as the nation-wide distributor of Ford motor coaches. It is stated that none of the stock of the new company is owned by the Ford Motor Co. or any of its stockholders.

The board of directors includes Peter J. Monaghan, Detroit attorney; Ernest R. Breech, Executive Vice-President of the Ford Motor Co.; J. R. Davis, Ford Vice-President and director of sales and advertising; and A. J. Browning, Ford Vice-President and director of purchases.

* * *

Packard Motor Car Co. has reported a net loss of $131,478 for the first nine months of 1947, after estimated tax carryback credits of $1,800,000 allowable this year because of factory operating loss. This compares with net earnings of $1,387,316, after tax carryback credits of $3,668,000, for the corresponding period last year. Loss on factory operations of $4,582,858 for the first three quarters of 1947 compares with a factory loss of $4,290,325 for the like period in 1946.

Sales and billings for the 1947 period were $84,434,577, compared with $64,358,312 for the 1946 period. Net profit from field operations were reported at $2,264,346, compared to $1,409,466 last year.

As of Sept. 30, 1947, Packard's balance sheet showed cash and government securities totaling more than $27,000,000, while working capital was approximately $32,000,000, an increase of $1,600,000 over the amount reported at June 30, 1947.

Car output through September, 1947 totaled 39,804 vehicles, as against 26,555 for the first nine months of last year.

* * *

Detroit-Michigan Stove Co. reports the largest nine months' sales and earnings for any comparable period in its history. Sales were $14,878,142, compared with $10,376,228 in the nine months ended Sept. 30, 1946. Net profit after Federal income taxes was $1,700,143, equal after dividends on preferred stock to $1.75 per share on 948,007 shares of common stock. This compares with a net profit of $1,254,391, or $1.28 per common share for the first nine months of last year.

For the third quarter of 1947 sales were $4,199,778, against $4,258,701 in the corresponding three months in 1946, while net profits after preferred dividends was $467,771, equal to 48 cents per common share, compared with $581,453, or 60 cents per common share in the third quarter of last year.

* * *

The Gerity-Michigan Corp. earned $283,907, or 37 cents per share after taxes and all other charges in the three months ended Sept. 30, 1947, according to James Gerity, Jr., President of the company. This compares with $96,475, or 13 cents per share, in the corresponding period of last year.

Sales for the three months' period ended Sept. 30, 1947, the first quarter of the company's fiscal year, were $3,283,307, as against $2,667,564 in the same period in 1946.

With De Haven And Townsend

Edward A. Horn has become associated with De Haven & Townsend, Crouter & Bodine, 30 Broad Street, New York City. He was formerly with Huff, Geyer & Hecht and Dominick & Dominick.

With Otis & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Frank B. Kendrick has become associated with Otis & Co., Field Building. In the past Mr. Kendrick was with Riter & Co. and Paul H. Davis & Co.

Missouri Brevities

On Nov. 12, an underwriting syndicate headed by Dillon, Read & Co., Inc., and including, among others, Newhard, Cook & Co., Reinholdt & Gardner, Smith, Moore & Co. and Stix & Co., all of St. Louis, and Stern Brothers & Co. of Kansas City, publicly offered an issue of 3,564,000 shares of no par value common stock of Texas Eastern Transmission Corp. at $9.50 per share. The offering, which included 3,550,000 for account of the corporation and 14,000 shares for account of selling stockholders, was oversubscribed. The net proceeds to the company, together with the proceeds from the private sale of an issue of $120,000,000 first mortgage pipe line bonds, 3½% series due 1962, were used as follows: (a) to pay the U. S. Government the balance due on the purchase price of the Inch Lines; (b) to repay $8,350,000 outstanding notes and (c) to pay organization, etc., expenses of $828,351. The balance of approximately $3,399,649 was added to the general funds to be available for construction, working capital and other corporate requirements.

* * *

Among those participating in the public offering on Oct. 29 of 150,000 shares of $1 par value common stock of Ero Manufacturing Co. of Chicago at $7 per share were Scherck, Richter Co., Stix & Co. and Taussig, Day & Co., Inc., all of St. Louis. The offering, which was for the account of selling stockholders, was oversubscribed.

* * *

Included among the investment bankers which on Oct. 22 publicly offered an issue of $100,000,000 40-year 3⅛% debentures, due Oct. 1, 1987, of The Pacific Telephone & Telegraph Co. were Newhard, Cook & Co., Stifel, Nicolaus & Co., Inc., Reinholdt & Gardner and Stix & Co., all of St. Louis, and Stern Brothers & Co., Prescott, Wright, Snider Co. and Martin-Holloway-Purcell, all of Kansas City. The debentures were priced at 101.25, exclusive of accrued interest.

* * *

Newhard, Cook & Co. and Reinholdt & Gardner were also included among the group of investment bankers which underwrote the recent offering to common stockholders of The Standard Oil Co. (Ohio) of 584,117 additional shares of common stock (par $10) at $23.75 per share.

* * *

In addition, Newhard, Cook & Co. was included in a group of underwriters which on Nov. 6 publicly offered 150,000 shares of no par value $4.25 cumulative preferred stock of General American Transportation Corp. at $98 per share and accrued dividends.

* * *

On Oct. 31, the Interstate Commerce Commission authorized Mord M. Bogie, Avery Brundage, Leo J. Sheridan and Paul E. Kling to function as a protective committee for the holders of the Missouri Pacific RR. Co. 5¼% secured serial gold bonds. Mr. Bogie, who is President of Schroder Rockefeller & Co., Inc., investment bankers of New York City, is Chairman of the Committee, and J. Laurence Barasa, 38 So. Dearborn St., Chicago, is Secretary. There are presently outstanding in the hands of the public $11,245,000 principal amount of these bonds.

* * *

The consolidated profit and loss statement of Clinton Industries, Inc. of St. Louis for the first nine months of 1947 shows a net income of $3,029,041, or $4.06 per share on the 745,215 shares outstanding after deducting $1,837,915 for provision for Federal income taxes.

* * *

Net profit of the Gleaner Harvester Corp. of Independence for the fiscal year ended Sept. 30, 1947 amounted to $1,562,651, or $5.21 per share, after all charges and Federal and State income taxes totaling $992,500. Net sales were $7,508,582. At the close of the year, current assets amounted to $3,664,747, as compared with current liabilities of $137,554.

* * *

The total operating revenues of the Union Electric Co. of Missouri and its subsidiaries for the 12 months ended Sept. 30, 1947 amounted to $57,882,906, as against $53,084,340 in the preceding 12 months' period, while net income after charges and Federal income taxes totaled $11,028,544, compared with $10,225,856 in the previous 12 months.

* * *

The quarterly report of the American Zinc, Lead & Smelting Co., and its wholly-owned subsidiaries, showed consolidated net income, after all charges and Federal income taxes, of $88,855 for the three months ended Sept. 30, 1947, compared with $359,469 in the same period last year. For the nine months ended Sept. 30, 1947, net income, after taxes, amounted to $755,419, and for the 12 months $1,211,349.

Sees Continued High Level of Hotel Business in New York

Fred O. Cosgrove, President of Hotel Association of New York City, says hotels in metropolis will pay fair returns on investments at present rates despite increasing operating costs. Foresees no substantial new hotel building for extended period.

According to Fred O. Cosgrove, President of the Hotel Association of New York City, Inc., current business volume of New York City hotels is expected to continue at least throughout 1948 with no immediate prospects of increased transient room rates.

Fred O. Cosgrove

Mr. Cosgrove, in a statement issued on Nov. 13, declared that despite apparent hotel crowding there is a noticeable easing of guest room occupancy over weekends, adding: "Under present conditions hotels must maintain high occupancy because increased wages, taxes and skyrocketing cost of supplies have driven the break-even point to 85% occupancy. Prior to the war the figure was about 65%. Even a slight recession in business would find hotels flirting with red figures."

Mr. Cosgrove further stated that "city hotels generally will pay fair returns on investments on present rates which have risen only an average of 11% since the lifting of rent controls despite increasing operating costs."

"The casual observer will understand our situation better," continued Mr. Cosgrove, "when he realizes that a major share of dollars paid for a room is paid out for services and supplies—things that the average tenant in shelter housing pays out of his own pocket. Actually there is no fair comparison between hotel or residential hotel rates and appartment or other shelter housing rentals."

Outlining increased hotel costs, Mr. Cosgrove reported that guest room maids' wages have increased 109.8% since 1941; soap up 57.6% since 1942; carpet sweepers up 31.6%; cleaning supplies up 40%; sheets 120.2%; bedding 63% and towels 111.5%, Mr. Cosgrove stated.

Pointing out that all salaries and wages in hotels are up 110% since 1942, the hotel executive reported that a minimum of 35% of the income dollar goes for wages and salaries.

"These statistics give one good reason why hotel operators visiting the Hotel Exposition are deeply interested in newly developed labor saving devices. As semi-official hosts of the City of New York they realize the necessity of keeping rates at sensible levels commensurate with a fair return on investment," he declared.

The hotel industry in New York anticipates no new building in the foreseeable future "because a hotel built at present prices could not possibly meet the room rates of established hotels," according to Mr. Cosgrove who added: "In the early '30s the hotel industry was in deplorable financial condition. In fact some 80% of the nation's hotels went through bankruptcy or some form of financial reorganization. Our recovery was slow and the war which brought an almost overnight occupancy increase to establish an all-time record enabled hotels to pay off or reduce indebtedness or refinance at lower interest rates. We estimate that a new hotel built at present construction costs would have to charge rates almost double those of a comparable but established property."

Hugh Dalton Resigns

British Chancellor of Exchequer leaves Cabinet because of indiscretion in furnishing press with advance account of budget. Sir Stafford Cripps succeeds to post.

Hugh Dalton, Chancellor of the Exchequer since the Labor Government came to power in Britain, was dropped from the Cabinet on Nov. 13. Mr. Dalton resigned after apologizing to the House of Commons for "a grave indiscretion" in disclosing tax secrets to a reporter a few minutes before he announced it to Parliament. Sir Stafford Cripps, Minister of Economics, was named to succeed him as Treasury Chief. Cripps retains his duties as co-ordinator of Britain's industry.

Sir Hugh Dalton

Before entering the Labor Government's Cabinet, Hugh Dalton was Professor of Public Finance at the London School of Economics.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Interest of the late Josephine Brinton Grimm in Grimm & Co. ceased on Nov. 8.

Percy L. Hance, a member of the Exchange, and Lesley G. Sheafer will retire from partnership in Jesup & Lamont on Nov. 30.

Greene & Stockly will dissolve on Nov. 20.

Poland's Economic Distress

By JULIUS SZYGOWSKI
McMaster, Hutchinson & Co., Chicago

Former Polish Consul General at Chicago in pointing out Poland is no longer an independent nation, either politically or economically, outlines need of restoration of Polish economy. Reveals Poland's close prewar economic relations with Western Europe, now cut off by Russian domination, and foresees no recovery without help from West.

The division of Europe into two blocs has recently been sharply accentuated. On one side 16 independent states, following the suggestions of the Secretary of State Gen. Marshall, are preparing some common plan for the reconstruction of the European continent, availing themselves of the United States to assist them in their efforts towards this aim. On the other side, the U.S.S.R. with their eight satellite states who refused to attend the Paris conference are organizing in the east of Europe a closed economic area.

Dr. Julius Szygowski

At present Poland is not an independent state. All decisions of the Warsaw administration, including those related to economic policy, depend on Russia's orders.

The negative response of the Warsaw administration to the plans for international action and European reconstruction does not express either the needs and possibilities of the Polish national economy or the attitude of the Polish nation to international collaboration. It is only a result of decisions taken in Moscow for foreign dictatorship's sake taking no heed of the welfare and economic development of countries incorporated by force into the Russian zone.

Poland is an essential part of European economic unity. Such a partition of Europe as has been made is unnatural and detrimental to Europe as a whole as well as to Poland herself. The present state of things should be modified as rapidly as possible.

The plan for European reconstruction should take into account the participation of Polish national economy, as well as that of all other central and eastern European states incorporated by violence into the zone of Soviet interests. Due attention, of course, should be paid to avoid the danger of putting Germany back into such a position as would allow her the economic exploitation of other countries, leading to a new endeavour to establish German hegemony in Europe.

Polish National Economy

The following main elements of Polish national economy should be dealt with while preparing and putting into practice the plan for European reconstruction:

(a) **Silesian Basin.** The whole Silesian Basin is at present within the frontiers of the Polish Republic — before the war it was divided between Poland and the Reich. This basin is linked up with the south-western industrial area, and constitutes for European economy a factor nearly as important as the Ruhr basin. The possibilities of the Silesian Basin already enable Poland to take an active part in Europen reconstruction, and if she were assisted from outside to increase the industrial capacity of Silesia and to build up lines of communication, Silesia would, within a short space of time, be able to form a basis for the reconstruction of many European countries within the framework of a scheme outlined by common consent and according to the common interests of the parties concerned.

(b) **Textile Industry.** Poland possesses big textile centers spread all over the country. This industry is capable of taking on its task, within the scope of a plan for European reconstruction; it has a long established tradition, and wide connections not only in European but also in World markets, with which it has had long and profitable collaboration.

(c) **Agriculture.** At present Polish agriculture is decaying under the rule of Moscow agents, but the territories of central and eastern Poland, with the addition of the new agricultural areas in the west and north, would be able to contribute in a great measure towards filling the gaps in the food budget of Europe.

(d) **Timber.** The eastern provinces of Poland are rich in forests. They used to supply Europe with all kinds of timber, especially for building purposes, of which at present there is such a shortage in Europe. Owing to the occupation of this part of Poland by Russia and the present conditions there, no surplus is available for export, nor will there be any for the next few years. The reincorporation of these provinces into Polish national economy would greatly assist the housing problem in many European countries.

(e) **Communications.** The great importance of Poland as a communications center should be particularly stressed. The main line of communications between west and east, the shortest communications between north and south, pass through Poland. This is the case as regards highways and railways as well as river and sea communications. The most important ports in the Baltic, Gdynia, Gdansk, and Stetin, are within Poland's frontiers. The improvement and development of communications in Poland should be considered as a very important item in the reconstruction of European economic life.

(f) **Common Western Civilization.** Poland is a country of western European civilization, and so she can easily adapt herself to cooperation, based on principles of individual freedom and democracy.

The needs of Polish economy destroyed by the war are immense. Without collaboration with other European countries, and particularly without a large measure of assistance from the United States, the great and universally admired efforts of the Poles to rebuild their country, in spite of all the obstacles put in their way by the imposed communist regime, cannot be successful. Assistance from outside should include:

(1) **As regards industry:** enlargement, renovation, modernization and supplying working capital.

(2) **As regards communications:** repair and enlargement of existing highways, railways and waterways; enlargement, renovation and modernization of rolling-stock; restoration and modernization of Polish seaports.

(3) **As regards agriculture:** supplies of agricultural machinery and implements, horses and cattle, seeds and some fertilizers.

(4) **As regards the welfare of the population:** improvement of the physical conditions and health of the people to enable the nation to make full use of its energies and mental capacities; supplying medicines, hospitals and infirmaries, especially for those of the people who spent a few years in German or Russian prisons, concentration and forced labor camps; assistance in curing diseases which are the direct result of the war and double occupation, such as tuberculosis, venereal diseases, avitaminosis, etc.; assistance to Polish children, brought up in particularly distressing economic and hygienic conditions.

(5) As regards the **re-instatement of national culture,** partly destroyed, without which it would be impossible to re-invigorate the productive capacities of the population; reconstitution of school establishments of all kinds; restoration of scientific libraries, and the supply to them of the largest possible number of works published during and since the war.

(6) **The reconstruction of Warsaw,** destroyed in two battles, this intellectual and administrative center being at the same time one of the principal industrial and commercial cities. Steps should also be taken in order to restore some other municipal centers whose destruction has been one of the greatest handicaps in increasing industrial production.

Poland is able now, or can be within a very short time, to make her contribution to the immediate action for the reconstruction of European economy along the following lines:

(1) She can fill the gaps in the European coal deficit which, according to all the economic experts, constitutes the chief obstacle on the road to recovery of the continent. At this very moment, Poland, having met all her own requirements, is able to provide a surplus available for export amounting to 24 million tons a year. If home consumption is maintained at the 1946 level of 33,700,000 tons, this surplus can be increased in the next two years by 10,000,000 tons yearly, rising in 1949 to some 40,000,000 tons. These export figures can be attained if the compulsory export to Russia is stopped and some improvements and re-equipment of collieries are carried out, with the assistance of the western countries, who alone are able to help Poland in this respect.

(2) In 1946 Poland had already started to export steel and iron, and the figures were about 75,700 tons. It may be anticipated that with efficient help towards the recovery of the steel industry the export of iron and steel, without prejudicing the needs of the home market, can easily be brought up to at least 100,000 tons a year.

(3) In 1946 the export of zinc amounted to 18,000 tons, and of zinc-sheeting to 7,400 tons. It may be anticipated that this export can be rapidly increased.

(4) The report of the Executive Secretary of the European Economic Committee of the United Nations points out the big difficulties arising in many countries on account of the lack of caustic soda. In 1946 Poland exported over 26,000 tons of this product.

(5) As regards the textile and some other industries (such as cement), there are undoubtedly good prospects for the immediate effective participation of Poland in the action to assist European reconstruction. As the matter should be discussed in detail with the experts, and harmonized with

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Importance of Consumer Credit in Our National Economy

By LEHMAN PLUMMER*
Vice-President, Central National Bank & Trust Co., Des Moines, Iowa

Defending consumer credit as essential to welfare of masses and as contributing to productive and thrift habits of individual, western banker expresses strong opposition to its further restriction. Sees injury to living standards of public as well as to profits of bankers in regulatory measures.

The subject assigned to me today seems rather silly in view of the current widespread publicity given to this subject on really a national and international basis. I could almost say to all of you that if you will just go home and read the newspapers, or any magazine dealing in business subjects, or any trade journal, you can readily see for yourself how important this subject is at the present time. Certainly it is one of the hottest subjects being discussed today. In fact, consumer credit and price control seem to dominate every headline, and to be the favorite subject of discussion by every legislator, economist, banker and businessman who knows anything about the subject. It also seems to be thoroughly discussed by the millions who do not know anything about it. I can't rightfully claim to be in either class because I am sure I know more about it than the man on the street, but I am also very frank to admit that there is a hell of a lot that I don't know.

Lehman Plummer

Just to show you how many people are affected by consumer credit in one form or another, statistics show that 75% of the population in our United States receive under $4,000 per year. Also, the Bureau of Labor Statistics have just released a report that weekly earnings have reached a new high with an average of $50.42 per week. Since this figure is considerably less than $4,000 per year, you can readily see that millions of people who want, and are entitled to, some of the luxuries of life, as well as many of the necessities of life, can only reach them by means of charge accounts, by borrowing, or by buying on the installment plan. It is a lead-pipe cinch that millions of women would still be laboring over the old-fashioned washboard, cooking on the old-fashioned wood range, having their milk sour and their food spoil in the old-fashioned water cooler, and be unable to receive the cultural advantages of the singing commercials and soap operas if it was not for installment sales credit. Also, millions of men would be unable to reach the scenes of their labor, would not have any coal in the old basement, would be unable to buy that new suit of clothes for Easter Sunday, would be unable to pay the doctor for the family sickness and might even be unable to enjoy the protection of a small life insurance policy if it was not for the benefits of that same installment credit.

Consumer Credit Contributes to Thrift

For many years I have made it a practice to write a personal letter to every individual who satisfactorily completes payments on an installment loan to our bank. In this letter I advise them to make any comments on our service, or to come back to our institution to discuss their problems and to obtain further loans for necessary purposes at any time in the future. I can truthfully say that many hundreds of these people have come to me and stated that the habit of making regular installment payments from their income has led them to open up savings accounts, and continue taking the same amount out of their pay checks for savings purposes after the loan has been paid. Others use the same money to buy bonds, or life insurance, or for any other worthwhile purpose. In other words, this subject of consumer credit that is being pictured by some legislators, economists, and even members of our banking system, as such a demon that will wreck our national economy, actually has proven to be one of the chief factors in making the good old U.S.A. outstanding in its standard of living by comparison with other countries. Now let's look at what is happening with the elimination of regulation "W."

Question of Renewed Government Restrictions

The Federal Reserve Board, the President's economic advisers, and many legislators are going to ask Congress that they be given regulatory control over all types of consumer credit. Actually, I am not so sure that they are going to stop at asking for controls only on consumer credit, but may also ask for even broader controls, including those over some types of commercial lending. However, that is beside the point as we are only interested right now in consumer credit. We all know what happened during prohibition. If any individual wanted a drink of alcoholic beverage of some kind, he usually managed to obtain that drink and was willing to pay the price for it regardless of the quality. We all know that under regulation "W" we had many practices that were prevalent under prohibition. All you need to do to get an example of it is to look about you and see the black market, if you can call it such, in automobiles, refrigerators, etc. We are told that credit controls will restrain the public from buying things that they should not have or do not need, and that it will thereby encourage thrift so that the money saved can be put in savings accounts or invested in bonds. Gentlemen, to me that is a lot of bunk. Just out of curiosity I have taken a little poll of my own to see if credit controls work that way. Here is what I found in many instances.

Most of the individuals who are buying automobiles on installments under the terms of regulation "W" stated that they have been unable to keep up their savings deposits each month or to buy a savings bond because the payments on their automobile under regulation "W" were so large that there was nothing left for the savings account. In talking to GI's who were cashing terminal leave bonds and others cashing "E" bonds, I found that many of them were just recently married, or about to be married, and while they would prefer to hang on to their bonds, they had to sell them in order to buy furniture or household appliances because the terms were such that they could not meet the monthly

(Continued on page 43)

*An address by Mr. Plummer before the Michigan Bankers Association at Lansing, Mich., Nov. 12, 1947.

Selling Abroad at Present Time

By A. M. STRONG*
Vice-President, American National Bank & Trust Co., Chicago, Ill.

Holding international trade restrictions will continue for some time, Mr. Strong urges American exporters to watch for and study carefully foreign trade laws and regulations. Despite world-wide dollar shortage and additional trade restrictions, he foresees large volume of exports for many years.

Many changes have taken place in international trade since our last meeting in June. The shortage of dollars, or rather the inability of foreign countries to buy all of the goods they would like to have, has become more acute in both hemispheres. The Latin American countries have realized that even $4\frac{1}{2}$ billion cannot last long under a policy of unlimited spending. They have spent their dollars too freely and must now count their pennies. The European nations need large sums for re-establishment of their economies and for reconstruction of their industries devastated by the war.

A. M. Strong

A majority of nations overseas are now trying to preserve their dollars for essential goods necessary to their economic welfare. They have imposed new controls and are restricting the importation of articles which they do not consider essential. Each country, according to its needs, has different classifications of essential and non-essential products and these needs are constantly changing. Articles that were considered essential in July may not be considered essential in November. Each country uses a different method to meet the situation. Colombia issues import licenses providing for dollar payment within six months, 12 months, two years, and licenses which do not provide dollars. Brazil permits the consignee to obtain the goods against a deposit of cruzeiros. Nicaragua classifies all imported merchandise as luxuries and will not provide dollar exchange.

No matter what methods are used, the American exporter must now follow foreign laws and regulations; he must know whether his article is on the preferred or restricted list, whether an import license and exchange license were issued, whether he will be paid in American dollars or receive a local currency deposit.

I believe that these restrictions will continue for some time to come, as I cannot see any radical change in the world dollar situation even if we furnish aid to Western Europe. The nations of the world will have to balance their international budget and spend their dollars sparingly for years to come.

In spite of these difficulties, our export trade will continue in large volume for many years. We possess now 50% of the world's industrial capacity and other nations must come to us for machines, industrial products, foodstuffs and raw materials. They will earn their dollars with which to buy from us the goods they really need by increasing their production and by selling to us their own products and services.

The European countries are now confronted with great problems: problems of reconstructing devastated areas and destroyed industries; problems of re-establishing shattered economies and monetary stability. They need our help to get started; they need assistance during the crucial years. We must recognize the desirability for realistic assistance to these nations in their immediate needs for urgent necessities of life and for the reconstruction of essential industries. However, the rehabilitation of Europe is principally dependent upon self-help and can be accomplished only by hard work, rigid economy and the fullest utilization of resources and manpower.

During the present transition period, foreign trade must be carefully watched. Exporters and importers must closely follow their business; they must have up-to-date information and competent advice. It is my hope that these forums, sponsored by the International Trade Committee of the Illinois Manufacturers' Association, will provide the medium whereby current information can be obtained and foreign problems discussed. It is my hope that these forums will assist the people of this area in the conduct of their foreign trade.

*Remarks by Mr. Strong at the World Trade Forum sponsored by Illinois Manufacturers Association, Chicago, Ill., Oct. 30, 1947.

Birr to Visit New York

H. Theodore Birr, Jr., President of the First California Company, arrived in New York City on Nov. 18 for a visit. Mr. Birr will leave for the Investment Bankers Association Convention in Hollywood, Fla. on the New York Special train.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week—Insurance Stocks

Stock fire insurance companies in New York State had a more favorable loss ratio in 1946 than in 1945, according to figures filed with the New York Insurance Department by the National Board of Fire Underwriters. Their loss ratio on fire and lightning premiums was 42.9% in 1946 compared with 50.0% in the previous year, computed on a written-to-paid basis.

The loss ratios in New York City were higher than in the territory outside the City, but in both instances 1946 ratios were lower than 1945, as follows:

	N. Y. City	Outside
1943	43.95%	42.12%
1945	54.55%	46.09%

Country-wide loss ratios for all stock fire insurance companies over the past ten years, as published in "The Spectator" Insurance Year Books, are tabulated below. Also shown are the corresponding annual fire losses as published by the National Board of Fire Underwriters.

Year—	Premium Receipts ($000)	Losses Paid ($000)	Ratio %	Fire Losses in U. S. ($000)
1937	831,622	356,091	42.8	284,720
1938	782,204	378,097	48.3	302,050
1939	814,514	366,356	45.0	313,499
1940	932,074	405,336	43.5	306,470
1941	1,075,617	471,875	43.9	322,357
1942	1,144,461	630,119	55.1	314,849
1943	1,074,725	507,320	47.2	380,235
1944	1,154,056	554,579	48.1	423,538
1945	1,252,253	625,283	49.9	455,329
1946	1,658,308	731,338	44.1	531,487
TOTALS	$10,719,834	$5,026,394	46.9%	$3,664,534
AVERAGE			46.8%	

This table indicates that country-wide experience, also, was more favorable for stock fire companies in 1946 than in 1945; in fact it was more favorable than the ten-year average, despite the all-time high in fire losses. Only in the years 1937, 1940 and 1941 was the ratio lower than in 1946.

Total premium and loss figures, however, are not confined to fire only, but represent all lines, i.e. fire, ocean marine, inland marine, motor vehicle, hail, hurricane, extended coverage, etc. It will be observed, for instance that total losses paid aggregate in excess of $5 billion, compared with nation-wide fire losses aggregating approximately $3.66 billion.

In considering the impact of high fire losses, which makes the headlines, on the underwriting prospects of fire insurance companies, allowance must be made for the fact that, in recent years, the companies have been broadening and diversifying their lines of risk, so that no longer is fire as dominating an influence as formerly.

Another method of calculating

PERCENT OF TOTAL NET PREMIUMS WRITTEN

(According to Best's "Aggregates and Averages.")

Year	Fire	Motor Vehicle	Ocean Marine	Inland Marine	Tornado & Hail	*All Others
1926	74.4%	11.2%	4.2%	3.8%	5.6%	0.8%
1936	62.7	20.8	4.7	5.2	5.5	1.1
1946	53.4	16.3	7.3	9.0	3.1	10.9

*Including extended coverage.

loss ratios, in place of losses paid to premiums written, is on the basis of losses incurred to premiums earned. This method tends to produce higher ratios, because premiums earned are generally lower than premiums written, while losses incurred are frequently higher than losses paid. The companion ratio is that of expenses incurred to premiums written. It is of interest that, according to Best's "Aggregates & Averages," the expense ratio has been declining since 1938 on an expanding volume of premium writings, thus tending partially to offset higher loss ratios, with the result that the final combined ratio was lower in 1946 than in 1945, viz. 98.7 vs. 99.6, and was approximately the same as in 1944 and 1942. Since the year 1900 the combined ratio has reached or exceeded 100%, indicating net underwriting losses for the industry, in only seven years, as follows:—1914, 101.6; 1921, 104.0; 1924, 101.8; 1925, 102.1; 1926, 101.8; 1930, 100.0; 1932, 102.5.

Figures presented thus far represent the stock fire insurance business as a whole. Naturally the fortunes of individual companies vary widely. This may be illustrated by these two examples:

Year, 1946: Company—	Net Underwriting ($000)	Net Inv. Income ($000)	Total Net Operating ($000)	Divs. ($000)
Hartford Fire	+ 3,565	4,565	8,357	3,000
National Fire	— 994	1,248	254	1,000
5 Years, 1942-46 (Incl.):				
Hartford Fire	+40,187	25,818	46,988	15,000
National Fire	— 3,082	8,049	4,770	5,000

Figures for 1946 are on a parent company basis; five-year figures are on a consolidated basis. Total net operating profits are after Federal income taxes, whereas net underwriting and investment income are before.

Hartford is approximately three times the size of National, as measured by total admitted assets and premium volume, and both are old-line Connecticut stock companies with excellent records. Nevertheless, National has accumulated underwriting losses for the five-year period, as well as in 1946, and has distributed dividends in excess of total net operating profits; Hartford, on the other hand, has accumulated underwriting profits and her five-year total net operating profits are approximately three times dividend distributions.

Taft-Hartley Act Emancipates Labor

By HON. IRVING M. IVES*

United States Senator from New York

Congressional Labor Committee member charges opponents of legislation with gross and vicious misrepresentation of provisions. States law actually assures to workers their full rights, and will result in advantages to employees as well as public at large.

I appreciate greatly this opportunity to speak to the Council of Republican Women of Pennsylvania. When your distinguished Senator and my very good friend, Edward Martin, enthusiastically seconded your kind invitation, he specified that I should speak on the Taft-Hartley Act. I am glad to do so.

Irving M. Ives

As you know, the Taft-Hartley Act deals with the subject of labor-management relations and is termed the Labor-Management Relations Act of 1947. No single piece of legislation considered during the last session of the Congress aroused more controversy than did this measure. Never to my knowledge has so important a legislative measure been so maligned, misrepresented and misunderstood.

Many who opposed it denounced it bitterly as a "slave labor law." On the other hand many felt that the so-called "abuses" of labor should be curbed, and some of these people were of the opinion that an even more drastic measure was desirable.

As a member of the Senate Committee on Labor and Public Welfare, I subscribed to neither of these extreme views. Nor do I feel that most of my colleagues who voted for the Labor-Management Relations Act of 1947 have shared these attitudes. I believe that it is our duty as Republicans—yours and mine—thoroughly to explain this legislation, sponsored by a Republican Congress, to all the people of your state and my state and of the nation generally.

Public's Misconceptions

The results of a survey made several months ago by an independent research organization are significant. This survey was conducted among a representative cross-section of workers, both union and non-union, to determine their attitude toward various provisions of the new labor law. In line with my own experience with hundreds of communications received at my office, the majority of workers questioned were against this new labor law.

But the results of the polls taken in this survey produced an extraordinary and striking anomaly.

When the union members were asked whether they favored preventive measures to eliminate communists from holding union offices, 77% of them favored such preventive measures.

When the union members were asked whether they favored a requirement that unions make financial reports, 85% indicated their approval.

54% of the union members expressing an opinion registered opposition to the use of union funds for political contributions or expenditures.

70% of the union members favored delay in strikes in industries vital to the country's welfare. These union members, moreover, favored the temporary prevention of such strikes through a court order obtained by a government agency.

70% of the union members were in favor of requiring unions to give 60 days' notice before going out on any strike.

70% of the union members agreed that unions, as well as employers, should be subject to lawsuits for breach of contract.

61% of the union members felt that employers should be granted the same freedom of speech as that given to unions and employees.

74% of the union members indicated that they favored the check-off of union dues by employers only after obtaining the consent of the workers.

77% of the union members indicated that they favored the establishment of a union shop only after a majority of all the employees had voted in favor of it.

52% of the union members expressing an opinion felt that the closed shop itself should be outlawed.

Among the non-union members who were polled in this same survey these affirmative percentages for the most part were even greater, and the affirmative average of all workers polled was decidedly overwhelming.

These ten matters on which this poll was taken constitute the essence of the Taft-Hartley Act. As I have indicated, the union members themselves were in favor of every one of them. And this result also confirms the sentiment expressed in many hundreds of communications received at my office.

Therefore, when I stated that opinion on the Taft-Hartley Act contains an extraordinary and significant anomaly, I was not exaggerating. I was merely emphasizing that this law has been the subject of the grossest and most vicious kind of misrepresentation and misinterpretation on the part of those opposed to it.

The results of this poll obviously offer a sharp contradiction to the charges that the Taft-Hartley Act is a "slave labor law." These results show, moreover, that the hostility toward this Act on the part of workers, union and non-union alike, has been occasioned principally by false assumptions, resulting from a lack of proper and sufficient information and from calculated misinformation concerning the provisions of the Act itself.

In these remarks I shall give my views concerning certain important provisions of the new law, a number of which have received thus far too little attention, due to the catch-phrase and slogan campaign which has been waged against it. I shall confine myself for the most part to the action taken in the Senate.

It is only fair to state, however, that the House Committee on Labor and Education, which was also charged with the consideration of this type of legislation, duplicated in large measure the efforts of the Senate Committee on Labor and Public Welfare, in an all-out attempt to obtain all the facts possible from all interested parties who could be heard by the House Committee.

The Legislative History

Shortly after the Congress convened in January these two Committees began to sit daily, listening to complaints, suggestions, and recommendations from public officials, employer groups, labor union leaders, labor relations experts, and individual citizens who wanted to be heard.

As the hearings continued, it became apparent that no constructive suggestions for even the most moderate changes in the law were to be proposed—or even tolerated—by those who spoke for organized labor. These representatives of labor resisted every effort to amend the National Labor Relations Act or the Wagner Act, as it is sometimes called, in any way whatsoever.

Faced with this intolerable situation, I decided to, and did, introduce legislation which I believed not only would prevent possible abuses by labor, but would bring into proper balance the delicate relationship between workers and their employers. Most of the legislation which I proposed was subsequently incorporated into the Senate bill and finally into the Taft-Hartley Act itself.

This legislation, which I sponsored, provided for the creation of a Joint Committee of the Senate and the House to explore thoroughly into the whole labor-management problem. It provided for the establishment of a separate and autonomous federal Mediation and Conciliation Service. It gave to the National Labor Relations Board the power to enjoin under certain conditions secondary boycotts and jurisdictional disputes. It set forth certain unfair labor practices on the part of labor organizations and employees.

The bill passed by the House of Representatives was quite different from that passed by the Senate. Subsequently in Conference Committee the final legislation, in the form of the Labor-Management Relations Act of 1947, was agreed to. This final bill followed closely the pattern of the Senate bill.

No About-Face

In this connection I desire to clear up a considerable amount of misrepresentation and misunderstanding where I myself am concerned. I have been accused by some who are hostile to the Act of making an about-face on this labor legislation. Nothing could be farther from the truth.

I had hoped that it might be possible to have genuine collective bargaining without new legislation. But the heavy preponderance of evidence at the hearings showed beyond question that my hope was in vain. I became convinced that without corrective legislation real collective bargaining would never have a chance.

A number of amendments to the original Senate bill, to which I was vigorously opposed, were offered from the floor of the Senate. Only one of these amendments prevailed, and this particular amendment was adjusted in Conference Committee to meet my chief objections. Furthermore, the final Conference bill, which is now the law, contained none of the objectionable features which I opposed on the floor of the Senate. My position regarding this legislation has been consistent throughout.

Testimony at the hearings proved that a new law was vitally necessary. On several occasions at these hearings I so expressed myself vocally, and the transcript of the hearings bears me out. Throughout the consideration of this legislation I was striving to

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*An address by Senator Ives before the Council of Republican Women of Pennsylvania, Harrisburg, Nov. 13, 1947.

Dividend Policy and Section 102 Of the Internal Revenue Code

By R. S. JESSUP, CPA
Wood, Struthers & Co., New York City

Commenting on Section 102 of Inernal Revenue Code, Mr. Jessup holds it has had no appreciable effect on dividends of large corporations which have many stockholders. Points out difficulties in determination of taxability of undistributed earnings and says tax penalty is aimed mainly at holding and investment companies, but has been and can be applied to operating companies. Concludes law results in larger dividends by companies having few stockholders who are in high income brackets.

One of the conventions of our economy is that corporations issue annual reports. This is entirely rational, but a corollary, that corporations file income tax returns on an annual basis, sometimes becomes irrational. While it makes little difference to the existence of the corporation itself whether a payment is made on Wednesday, Dec. 31, or Thursday, Jan. 1, it may make a difference taxwise whether a dividend payment is made in one year or the next. One reason for this is the existence of Section 102 of the Internal Revenue Code.


R. S. Jessup

About a year ago a good deal of soul-searching on the part of directors was occasioned by the inclusion in the 1946 corporate income tax return of a question: "If the total of Line 1 of Schedule M, page 4, is less than 70% of the earnings and profits of the taxable year, state reasons for retention of such earnings and profits," and Line 1 of Schedule M asked for: "Total distributions to stockholders charged to earned surplus during the taxable year." Recently a spokesman for the Bureau of Internal Revenue announced that this question would not be repeated in the 1947 return, but this omission has no effect on the application of the law to pertinent situations.

The purpose of this article is to estimate the influence of Section 102 upon the size of dividend payments. At the beginning it should be stated that this part of the tax law has no appreciable effect on the distributions of a large corporation which has many thousands of stockholders none of whom can be said to control the corporation. It should also be realized that, although "the question" was new last year, Section 102 or its counterpart has been part of the tax law for over 20 years. But the appetite of the Bureau of Internal Revenue, whetted by court decisions, and the peculiarities of postwar problems combine to make Section 102 of considerable interest.

The tax in question is imposed, in addition to other taxes, upon the net income (as described below) of every corporation, except personal holding companies, if such corporation, however created or organized, is formed or availed of for the purpose of preventing the imposition of the surtax upon its shareholders through the medium of permitting earnings or profit to accumulate instead of being divided or distributed. The rate of tax is 27½% of the income as defined by the statute not in excess of $100,000, plus 38½% of such income in excess of $100,000.

The major adjustments to the regular net income of a corporation for the purpose of computing this tax are the deduction of Federal income taxes, capital losses of the current year not otherwise allowed (but not the capital loss carryover), dividends paid during the taxable year and a credit for an operating loss from the preceding taxable year. Investors should bear in mind that there are also differences between the net income of a corporation as reported to shareholders and the net income subject to normal income tax and surtax. These differences are due to the variance between the accounting methods employed by corporations and the requirements of the income tax laws. One of the chief of these differences is the disallowance for tax purposes of certain reserves for contingencies and the like that corporations are wont to create and charge to current income. This fact is important in considering the undistributed earnings and profits.

Undistributed Earnings Tax Liability Is Assessed

One other thing that must be remembered is that the Section 102 surtax is not automatically paid by a corporate taxpayer but may be assessed by the Bureau of Internal Revenue some two or three years after the taxable year when the income tax return is audited. Thus the Bureau has the advantage of several years' hindsight. Although there have been a number of court decisions covering this section of the law over a period of years, there have been comparatively few rulings since the end of the war. Nevertheless, we have enough information in the way of Bureau pronouncements and cases to attempt to evaluate the effect of this section of the law upon corporate dividend policy.

One of the unusual features of Section 102 is the way the buck is passed to the taxpayer. The fact that the earnings or profits of a corporation are permitted to accumulate beyond the reasonable needs of the business shall be determinative of the purpose to avoid surtax upon shareholders unless the corporation by the clear preponderance of the evidence shall prove to the contrary, says the statute. Let us see first of all what may be considered a reasonable accumulation of earnings or profits and then what is meant by avoiding the surtax upon shareholders.

Obviously, accumulated earnings are not excessive if they are needed in the corporation's business. But the directors' definition of a corporation's needs may not coincide with the views of the Collector of Internal Revenue or his examining agents. A ruling of the Treasury Department issued in 1939 and amended in 1944 states that returns filed by the following classes of corporations will be given close attention to determine whether Code Section 102 is applicable:

(1) Corporations which have not distributed at least 70% of their earnings as taxable dividends.

(2) Corporations which have invested earnings in securities or other properties unrelated to their normal business activities.

(3) Corporations which have advanced sums to officers or shareholders in the form of loans out of undistributed profits or

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Impact of Interim European Aid

By HON. W. AVERELL HARRIMAN*
Secretary of Commerce

Predicting stop-gap aid to Europe would check downward trend of exports but would not greatly increase shipments, Secy. Harriman admits grain exports have already had substantial impact on prices. Says problem of affording emergency aid in food, cotton, fuel and fertilizer can be substantially met, and stresses need of action to stave off economic collapse in Western Europe.

I appreciate the opportunity to appear before this committee today to state my views on one of the most important questions now faced by our country—the problem of whether and to what extent we shall assist in the economic recovery of western Europe. Secretary Marshall and Under-Secretary Lovett have already dealt with the broader aspects of the subject: Why the European countries need our help, and why it is in the national interest for us to assist them.


W. Averell Harriman

Although the interim aid program now under consideration of this committee cannot be divorced from the larger problems of a comprehensive recovery plan, it is appropriate to examine the economic impact of interim aid itself, first, in terms of its prospective effect on our domestic economy as a whole, and then in terms of our ability to furnish the particular commodities and services which we would be called upon to provide.

Interim Aid Program

The program of interim aid which is before this committee involves an authorization of an appropriation of $597,000,000 for interim aid to Austria, France and Italy. Of this, $301,000,000 is estimated to be spent for food; $184,000,000 for coal; $35,000,000 for petroleum; $38,000,000 for cotton; $35,000,000 for fertilizer, pesticide and seed, and $4,000,000 for medical supplies.

The question of whether we can safely and wisely furnish these goods and what the impact of furnishing them would be upon our domestic economy can first be examined in the light of its effect upon our net export balance. Stated simply, this balance is the over-all measure in dollars of the net drain of our goods and services into foreign trade.

*Statement by Secretary Harriman before Senate Foreign Relations Committee, Washington, D. C., Nov. 12, 1947.

If the proposed interim aid program is made effective, it is estimated that the net export surplus in the fourth quarter would be at about the level of the third quarter and that it would probably be somewhat less in the first quarter of 1948. In other words, it would check the downward trend that has been in evidence since last Spring.

During the second quarter of 1947, our exports of goods and services exceeded imports by an annual rate of $13,000,000,000. This figure dropped to a rate below $11,000,000,000 in the third quarter, largely as a result of reduced spending by foreign countries out of their own gold and dollar resources. The additional government expenditures of $597,000,000 proposed in the interim aid program, together with the anticipated request for a deficiency appropriation of approximately $500,000,000 by the Army for the remainder of the fiscal year, will serve to keep the total government aid at about a half billion per quarter less than in the third quarter of 1947.

Although the decline may be offset in part by an increased utilization of gold and dollar balances, the net export balance would probably remain well below the peak reached in the second quarter of this year. In short, foreign trade seems unlikely to present larger pressures on our economy.

Food and Fuel

As the above figures on the interim aid program indicate, the requests are largely confined to the food and fuel needed to carry these countries through the first quarter of 1948. Food is by all means the most important requirement in the program and makes up slightly over half of the total. I do not wish to take the time of the committee by dwelling at length on the urgency of these requirements. Let me merely say that my own experience fully confirms the picture that has already been put before you. The need is greater than the maximum supplies that can be made available. Rations that were already too low last year have been cut severely by unfortunate circumstances of weather beyond human control.

The critical food shortage faced by these countries this winter must be met primarily by increased supplies of grain, particularly wheat. The importance of other foods—some of which are available in limited quantities—is not to be overlooked. In fact, our agricultural experts estimate that shipments of these foods can be increased by more than a half million tons over the volume shipped last year. Yet grain is by and large the only suitable food that can be made available in large enough quantities to make a major contribution to the needs of these countries.

The grain proposed for shipment under the interim aid program is included in the over-all goals for export shipment that have already been set. A month ago our studies indicated that in the absence of special measures to increase availability, our grain shipments would fall approximately a hundred million bushels below the total we shipped last fiscal year. It was in view of this situation that the President undertook the campaign for nation-wide conservation and created the Citizens Food Committee. It is only through the success of conservation that it will be possible to carry out the export program and also to avoid increased pressure on prices here at home.

Some measure of success has already been achieved by this program. Agreements reached with processors and farm groups have indicated that the necessary savings can be achieved. Preliminary reports from farm and feed lots indicate that much less wheat is going into animal feed than had earlier been anticipated. Progress in procurement also seems to indicate that the supplies forthcoming will be sufficient for an export program corresponding in total amount to

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Railroad Securities

The railroads reached an agreement with two of the five operating brotherhoods on the question of wage increases and it is generally expected that a similar settlement with the remaining three will be reached shortly. The wage increase was the same as that granted earlier by an arbitration board to non-operating employees, and followed the pattern set by general industry in the opening months of 1947. The rise of 15½ cents an hour was made effective as of Nov. 1. At the same time most of the controversy over working rule changes was resolved, with some concessions to labor. However, limitations on train lengths and provisions for a full crew for each unit of multiple unit diesel locomotives were again sidetracked, as they obviously had to be if the railroads are to continue under private management.

Indications that the whole question of wages and working rules will soon be settled, and that the railroads will then know just where they stand, have had little influence marketwise on railroad securities. It is possible that this continuing lack of speculative or investment interest in railroad securities may be due at least in part to lack of public appreciation as to the measure of the improvement in the operating performance of most individual railroads this year as compared with a year ago. There is still too great a tendency to accept net income figures as showing the enitre picture without going into details as to how the net figure is arrived at.

A good illustration of the inadequacy of comparative net income figures in measuring the progress being made by an individual road is to be found in the experience of Southern Pacific. For the nine months through September 1947 Southern Pacific reported income of $41,278,000 available for charges. This represented an increase of only 20.8% above a year earlier. With gross up some $25 millions this increase of a little more than $7 millions in available income does not, in itself, seem impressive. What does not show up in these figures is that in 1946 the road's earnings were bolstered by a large tax credit while the 1947 results are after a substantial Federal income tax debit.

Actually, Southern Pacific has achieved a much greater control over expenses than would be indicated by the bare outline of published figures. For the first nine months last year income available for charges before Federal income taxes amounted to only $12,832,000. For the like interval of the current year available income before Federal income taxes rose $47,598,000 to $60,430,000. The company has obviously been able to improve its operating performance very materially. The transportation ratio has been cut 3.5 points and the overall operating ratio by more than 12 points even though wages for most of the workers were increased Sept. 1 and the emergency rate increase did not become effective until mid-October.

Had it not been for the substantial tax credit Southern Pacific for the full year 1946 would have covered only a small fraction of its fixed charges. In comparison, it now seems likely that coverage before Federal income taxes this year will be close to four times. Last year earnings on the common stock amounted to $6.70 a share, naturally represented entirely by the tax credits. This year even with a heavy tax liability it is estimated that per share earnings will run between $9.00 and $10.00 On this basis the $4.00 dividend obviously appears well protected.

In sharp contrast with the experience of such roads as New York Central and Pennsylvania, Southern Pacific has also continued to improve its financial status. Net working capital as of the end of last August stood at $107,055,000 as compared with $93,854,000 a year previously. A final favorable factor in the Southern Pacific picture is that the long term traffic outlook is bright. The road is the dominant railroad in California and this section has continued to expand at a rapid rate even in the postwar period. Thus, new traffic sources are still developing.

Blair Co. Stkhldrs. to Vote on Name Change

Stockholders of Blair & Co., Inc., will vote at a special meeting Dec. 16, 1947, on a proposal to change the company's name to Blair Holdings Corporation and to transfer its business of underwriting and distribution of securities to a new and wholly owned subsidiary under the present name, Blair & Co., Inc.

The transfer, according to a letter sent to shareholders by Chairman of the Board Francis V. Keesling, Sr., and President Jonas C. Andersen, would achieve simplication and greater efficiency for the company which has diversified, and will continue to diversify, its activities with a view to securing a stability of income. The new subsidiary will be known as Blair & Co., Inc., it was explained, since that name already has substantial good will in the securities business.

When the contemplated changes are completed, the new consolidated corporate structure will have Blair Holdings Corporation as parent corporation. In addition to the new subsidiary, Blair & Co., Inc., other subsidiaries will be Lucky Stores, Inc., chain food stores; Pepsi-Cola Bottling Co. of Los Angeles, bottler and distributor of soft drinks; Auto-Vend, Inc., vending machine business; and "Pop" Corn Sez, Inc., popcorn business.

The letter explained that the changes do not involve any distribution of assets, but simply a segregation of part of the corporation's business in a new wholly owned subsidiary. If approved, the changes will take effect at the close of business Dec. 31, 1947. Present stock certificates may be exchanged, without expense, for those bearing the new corporate name at any time after Feb. 1, 1948.

The corporation this year, in line with its diversification policy, purchased through its wholly owned subsidiary, Auto-Vend, Inc., all the capital stock of a company engaged in the manufacture and sale of popcorn vending machines and popcorn under the name of "Pop" Corn Sez. Dividends received by Auto-Vend, Inc., from the purchased company to date are approximately equivalent to 33% of the purchase price.

The Road Ahead

By HON. JOE R. HANLEY*

Lieutenant Governor, State of New York

Mr. Hanley, prophesying that we can solve peace as well as war problems, sees record prosperity ahead, without wild inflation and accompanied by great production peaks.

We are all aware of the terrible conflict through which we have just passed. It has left its mark on individuals, families, communities and the nation. This war, with its terrible cost, has undoubtedly changed the whole course of human events and there are some startling lessons to be learned from it. One thing the world should know by this time is, namely; that free democratic people are the equal, if not the masters, of any other type on the face of the earth. It is not long since it was popular to think that democracies were out-moded, that they were inefficient, blundering, slow to action, full of mistakes, and costly to all. And there were some who looked with eyes of longing toward the dictatorships, toward those countries which were controlled and mastered by a single mind. They pointed to the efficiency of their movements, to the ease with which they accomplished their results, to the fact that people were all employed at labor, and that industry was humming and that everyone was busy, forgetting that it was all caused by the building of a great machine which proved their own undoing.

Joe R. Hanley

We felt, some of us, that somehow the people of this nation were being caught in the millstream of this worship of power, and we began to feel that the democracies were inefficient compared with the dictators. And we felt that somehow we needed a stronger type of government. We saw the harnessing of their power and the swift amassing of their might. We felt the trembling of the earth under the cadence of their great armed forces, and we wondered if it were not true that a new type of government had come to the world.

Democracy's Fighting Power

This war has proved this a fallacy. They have shown that democracy can out-fight, out-think, out-wit, out-produce any type of government on the face of this earth. It has proved conclusively that free labor can never be mastered by slave labor. The record of industry is little short of marvelous. The achievement of our transportation system are almost unbelievable, and the production of our free labor has far surpassed even the wildest imagination of us all. We have seen that our armed forces of every character can beat the enemy and destroy them, and wherever we had an equal chance we have prevailed.

Ahead of us is a very great and terrific task. In the battlefields of peace, as well as in the battlefields of war, there are victories and there are defeats. In the vast struggle that is ahead of us to produce this kind of peace that would make us happy at home and secure abroad, there are some grave lessons we should remember. We should remember that those who fought are entitled to the very best protection that the government can give them. We also should recognize that we ought to put the same energy, the same strength, and the same skill in taking care of those who fought for us as we did in training and equipping them for battle.

We have the finest officers and the finest equipped army that this nation has ever known, and the results are history. They gave us victory over the most powerful force ever assembled against this nation. Now we must see to it that the same energy and the same skill and the same determination we used to equip this army, train it and develop it, must be put into use to provide happiness and prosperity for all in time of peace.

This should always be a nation of opportunity, a nation that looks forward, not backward, a nation that will train our boys and girls to the task ahead with the assurance that when they are ready for those tasks the opportunity will be there. Too many are seeking security instead of achievement. We are prone to depend too much on government. Neither the state or national government can do anything for you without doing something to you. Our forefathers were led by the spirit of achievement. They only desired a chance. Our veterans need opportunity, rather than alms. Let it always be said that any mother, regardless of race, creed or color, can honestly say to her child: "You can go as far as your education, ambition and abilities will take you."

Don't Surrender Freedom

We must not surrender the freedom of the individual in this hour of our victory. It was the individuality of our soldiers, their ability to think for themselves, that hastened this great victory. In order to keep our individual ability to think, we must keep our sources of information free. We must maintain freedom of the press and of the air. We must ever be free to express our ideas. If I can control the sources of your information, I can control your thinking and when that happens, you are no longer free —you are my slave.

We must ever keep the star of hope shining in our land. We are not out-moded as a government. We are not in the sunset of our existence but have yet to reach mid-day. It is a great time in which to live. We will and must advance. We have come a long way in the past century, but we still have much to do. This nation is strong enough and has brains enough to take care of a much larger population than we now have. We can solve depressions with all its evil effects, poverty with its curses, public health and all it implies, intolerance and all its attendant evils and dangers. These are dark clouds on our national sky, but behind them the sun still shines.

I feel somehow that in the days to come we shall see prosperity such as we never dreamed of. Not wild inflation, but sober achievement with great peaks of production and corresponding remuneration for those who produce. I am very confident that this nation that has solved its war problem will also be able to solve its peace time ones. Great as they are, dangerous as they are, they will be solved.

But in this road ahead there is a lesson that we must not forget and that is that we are a part of a great family of nations. This war was not won by one nation, it was won by a combination of Allies who believed in each other, who trusted each other, and who gave up their own selfish advantages for the good of the whole.

We can go down the path with the United Nations with the same degree of harmony and accomplishment as we went down the highway of war. In the days to come we must not lose that faith. We must not lose that confidence.

Nations Can Exist Independently

It is not necessary that Russia, in order to be our ally, have her thoughts and her purposes of government engrafted upon ours. It is not essential that we send our ideologies into Russia. It is not necessary that China govern her people as we govern ours, but it is necessary that all of us realize that it is a fact that we cannot run our own show. We have to be part of a great international conference, friendship circling the globe, just like our might went around this world. It is possible for Russia, Great Britain, the United States, France and all the nations of the world to live together in peaceful harmony without trespassing on the right or convictions of the other. We can govern our people as we will. Russia can govern hers as she may. England can have the type of government she desires. But side by side we can all stand for the good of the world. There is no minority group in society any more. The smallest nation is vital to the success of us all.

And so I appeal to you that in your thinking, in your ideals and in your purposes, you have one great central thought and that is universal peace. Let's make it possible so that the mother of tomorrow as she brings her little ones into the world to nuture, develop and train them, will not have to think of a dark cloud of war hanging over their future. May the mothers of tomorrow look into the eyes of their sons and realize that this boy will be a citizen of peace and not a soldier of war. May our nation ever maintain her strength, ever keep her dignity, ever keep her power, and above all, ever keep her balance of sanity so that in the world we may be the predominating factor that shall produce out of this terrible, awful conflict a new dawn of universal peace.

Let us have peace among all nations and peace among ourselves with no race struggles, no class preference, no division into various groups, but all—regardless of race, creed or color—just American united for the good of *all*.

*An address by Mr. Hanley before Fifteenth Annual Conference of the American Association of Motor Vehicle Administrators, Nov. 13, 1947.

Earle Gott to Manage Geyer Chicago Office

CHICAGO, ILL.—Earle C. Gott will take charge of the Chicago office of Geyer & Co., Inc., at 231 South La Salle Street. Mr. Gott was formerly in the trading department of Cruttenden & Co.

Earle C. Gott

International Gold Pounds

By PAUL EINZIG

Referring to reports British Treasury has agreed to guarantee gold value of sterling balances of two countries, Dr. Einzig believes it is conceivable that substantial amounts of "gold pounds" will come into existence. Warns such currency is not convertible into gold, but is merely a means of increasing amount of sterling in terms of gold and is thus a protection against devaluation. Sees world-wide advantages in guaranteeing sterling balances.

LONDON, ENGLAND.—According to reliable reports, the British Treasury has now agreed to guarantee the gold value of the sterling balances held by two countries, the Argentine and Persia. For a long time the demand for such a guarantee was resisted; it is still resisted as far as other countries are concerned. The Argentine and Persia owe the concession to their strong bargaining position. Possibly in other instances, too, the British Treasury will yield eventually, so that it is conceivable that within the next few months substantial amounts of "gold pounds" will come into existence.

Dr. Paul Einzig

It is permissible to wonder whether anyone at the Treasury is aware that they have embarked upon a novel international monetary experiment. The obvious reluctance with which Mr. Dalton, former Chancellor of the Exchequer, yielded to the pressure in favor of gold guarantees seems to indicate that he and his advisers were oblivious of the broader implications of what they were doing. They merely make concessions when this cannot be avoided, and do not realize that in doing so they are establishing a new system.

A fictitious monetary unit is being created for international purpose. The gold pound is not really gold, for it is no more convertible into gold than the ordinary pound is. But its gold value is guaranteed, which means that if the gold value of the pound should fall, the holders of the guaranteed pounds will receive additional pounds to make up for the depreciation of the gold value of their holdings.

The principle involved is not altogether new; it was applied in a number of countries internally. On various occasions when the public lost confidence in the depreciating national currency, a fictitious gold unit with no concrete existence was introduced, and served as a standard of value. The German "gold mark" after the first World War is the best known instance. Actual payment was made in ordinary paper money, but the amounts due were determined by the gold value of that money. In each instance the fiction of a gold unit served a useful purpose, and its application went a long way towards solving the problems it was meant to solve.

Some such fictitious gold unit is badly needed in the existing situation for the purpose of serving the requirements of international trade. The dollar commands of course absolute confidence. Unfortunately, there are not enough dollars outside the United States to meet the world's needs. Such is the demand for goods which can only be obtained in the Dollar Area that any supply of dollars that becomes available is soon used up for purchases of such goods. And pending their use for that purpose their holders are most reluctant to part with their dollars. The quantity of other hard currencies available, such as Swiss francs, is quite negligible. There is a fair supply of sterling available, but owing to the suspension of its convertibility it does not command adequate confidence.

A number of countries would be willing to hold inconvertible sterling, provided that they could safeguard themselves against losses through devaluation pending the increase of the volume of British goods available for export. Hence the demand for gold guarantees. Once that guarantee is granted sterling will become a fairly attractive currency to hold. There is no reason for distrusting Mr. Dalton's ability to carry out his pledge. While his promise to maintain convertibility depended on the volume of dollars and gold at his disposal, he would be able to implement the gold guarantee even if he had spent his last dollar and his last ounce of gold. A currency which is proof against depreciation in terms of gold would command confidence even if inconvertible. While everybody would naturally prefer dollars or some other hard currency, the gold pound would be the next best thing to hold.

The gold pound would be eminently suitable to serve as a medium for financing multilateral trading. Since it is inconvertible, the British Government would have no objection to its automatic transfer from one country to another, in accordance with the proposals of the "Benelux" currency plan for Europe. The gold pound would have the advantage over the dollar as an international currency that it would not tend to disappear from circulation. Indeed so long as British has an adverse trade balance the volume of gold pounds would tend to increase, and would only begin to diminish as and when British succeeded in achieving an export surplus—which will not be for some time. Meanwhile the inconvertible gold pounds could circulate between countries, and should go a long way towards increasing the volume of multilateral trade.

The formula of the gold-guaranteed pound would enable Britain to solve the apparently insoluble problem of satisfying the American demand for multilateralism without running the risk of losing a large part of her much-needed gold reserve. But in order to be able to enjoy the advantages of the system, it would be necessary for the British Treasury to apply it as a matter of deliberate policy instead of drifting into it under pressure, without realizing what is happening. At present the granting of gold guarantee is regarded in London as essentially evil which may be inevitable in the instances of some agreements. To make the system succeed it would be necessary to abandon experimenting in partial convertibility which Britain cannot afford in any case. Most countries would be willing to accept payment in guaranteed inconvertible pounds. This would go some way towards relieving Britain's exchange difficulties, at the same time as producing a useful international currency for multilateral trading.

Scores Double Taxation of Dividends

Harry Sutter tells ABA Mid-Continent Trust Conference dual taxation discourages venture capital and makes capital security dominant factor in investment rather than maximum productive use.

One of the principal arguments against the present system of double taxation of corporate earnings is that it has caused venture capital to become very scarce, Harry Sutter of Hopkins, Sutter, Halls, DeWolfe & Owen, Chicago, Ill., told the Mid-Continent Trust Conference of the American Bankers Association at Chicago, Nov. 6.

Harry B. Sutter

"The existing high tax rates magnify the problem created by taxation of corporate earnings in the hands of the corporation, and taxation of the same earnings in the hands of the individual shareholders when dividends are distributed to them," Mr. Sutter said. "There is general agreement that a problem exists and that it should be solved; however, there is no consistency in formulation of plans for remedial action.

"In order to maintain production and consumption, both of which are necessary for the smooth running of our economy, it is necessary that venture capital be made available to new industries. Venture capital, of course, is made available when in the opinion of the investors they have an opportunity to receive rewards which are commensurate with the risks involved. Because of corporate income tax rates and the high individual surtax rates, the individual with a large income nets only a very small percentage of return on the capital he invests. The graduated surtax rates cause the percentage of return to decrease as the income of the individual increases. Consequently, the incentive for investment of funds declines as the capacity of the individual to make such investments increases. This is an anomalous situation, since the person with the money to invest in new enterprises has very little incentive to do so. Should the venture fail, due to the fact that capital losses are not deductible in full from ordinary income, the loss is that of the investor; and should the venture succeed, the government and not the investor is the gainer to a great extent. Thus security of capital becomes the dominant factor in considering investments, rather than the maximum productive use.

"Take, for example, the individual with an annual income of $50,000. He is asked to invest $500,000 in a new corporate enterprise, which during the course of the year has profits of $100,000. Under our present system of taxation, these profits are taxed first at a 38% rate to the corporation, leaving $62,000 for distribution to the stockholder who has contributed the venture capital. If the corporation distributes the $62,000, this amount is added to the stockholder's other income of $50,000 and taxed at effective normal and surtax rates ranging from 71.25% to 84.55%. After such taxes, the stockholder nets $13,379 on his $500,000 investment, which is a return on his investment of approximately 2.68%. On the same assumptions, if the individual in question had an annual income of $100,000, the combined corporate and individual taxes on the corporate earnings are $90,535, leaving the stockholder $9,465 or a return of approximately 1.89% on his $500,000 investment. Obviously, returns such as these will not attract venture capital.

"Furthermore, the present system of corporate taxation tends to cause higher prices and possible decreases in our level of employment. The corporate tax may be passed on to the consumer by way of increased prices. Increased prices tend to decrease consumption and demand. A decrease in consumption and demand will tend to reduce the level of employment and to disturb the national economy.

"The one plan which would completely and easily cure the problem of double taxation of corporate income is to eliminate completely corporate taxes. From purely political considerations, few feel that this is feasible. Moreover, the corporation would then become a tax-free haven for individual earnings.

British Plan

"The British have developed a plan for avoiding double taxation of corporate earnings. In recent years, under the British plan, the corporation paid an income tax at the 'standard rate' of 50%. The individual 'standard rate' was also 50%.

"A plan similar to the British system has been proposed, known as the 'withholding approach.' Under this proposal, the corporate tax would be regarded as a withholding tax paid by the corporation on behalf of the shareholders in the ratio which the dividends paid are to the total earnings of the corporation.

"Another plan which has received considerable attention is referred to as the 'partnership

(Continued on page 42)

Canadian Securities

By WILLIAM J. McKAY

In spite of the recent alarms and excursions the Canadian economic and financial situation was at no time as serious as depicted. In fact a review of Canadian vital statistics covering the current critical period creates an impression approaching bewilderment concerning the fears recently expressed. At the same time insufficient confidence was placed in the ability of the Canadian administration to deal as competently with the peace-time problems as those which arose during the war years.

Although the restoration of the Canadian dollar to parity might have been better timed it was nevertheless a thoroughly logical step. Faced with a drastic rise in the price-level south of the border the Canadian authorities took the appropriate corrective measures and the action is still justified by the continued disparity between U. S. and Canadian prices. The pressure ruthlessly and continuously exerted by minority interests has been wisely resisted in the national interest. The genuine grievances of the gold-mining industry have received proper recognition by the granting of a 20% subsidy on production in excess of the past three-year average. This measure, despite its luke-warm reception by the gold interests, will nevertheless provide a welcome stimulus to the production of the precious metal.

In the more important commercial field the Canadian negotiators at Geneva can have little cause for regret. The resultant tariff modifications will go far to achieve the Canadian objective of a balanced state in U. S.-Canadian trade. It is to be regretted that Dominion is forced temporarily to impose drastic import restrictions but in this way Canada will be given a welcome breathing space during which the operation of the new tariff agreements will also operate to build up Canada's exchange reserves. In this connection no country is better situated to profit from the lowered barriers to international commerce. Not only is Canada in the exceptional position of possessing available export surpluses but the consequent broadening of the U. S. markets will also tend to stimulate Canadian production.

A further important result of the announcement of Canada's proposed program to meet the U. S. dollar crisis is the removal of the fears concerning an imminent devaluation of the Canadian dollar. This basic uncertainty which has been assiduously fostered by mining interests was largely instrumental in arresting the normal flow of foreign capital into Canada. Consequently it is now to be anticipated that there will be a reversal of the recent trend of nervous liquidation and in its place it's likely that there will be renewed investor interest especially in view of the existing attractive levels of internal stock and bond prices.

In the event of a resumption of the investment demand there is every likelihood that, in conjunction with the beneficial results of the new tariff agreements and the U. S. dollar conservation measures, there will be no recourse to the proposed Import-Export Bank loan or to a loan from private U. S. investors. In any case Canadian interests would be better served to avoid the latter course in view of the present market apathy towards new issues. It is probable, however, that the Canadian authorities do not seriously envisage the necessity of recourse to loan facilities of any kind and the suggestion is merely indicative of their determination to protect the exchange position to the utmost degree. If consideration is given to their previous successful management in this field there is every reason to believe that the Canadian dollar will soon be restored to its previous prominence among the world's currencies.

During the week the securities markets as a whole were beneficially stimulated as a result of the announcement of the U. S. dollar conservation measures and the new tariff agreements. The internal section naturally was the most affected following the removal of devaluation fears. At the current levels of the stock arbitrage rate and internal bond prices, which have over-discounted the anticipated devaluation of the Canadian dollar, there are now obvious investment opportunities.

Canadian stocks were buoyant led by the golds which are likely to benefit beyond the present market estimates as a result of the new subsidy. It must be borne in mind that the average production during the three-year period on which the subsidy is based, was abnormally low and consequently the benefits conferred will not be confined to the new mines.

Twin City Junior Inv. Men Form Association

MINNEAPOLIS, MINN. — The Junior Investment Bankers and Brokers Association of the Twin Cities has been organized, consisting of members of the investment business under 40 years of age. Although original membership was limited to men strictly in the investment banking and brokerage business, a motion was passed at the first meeting to permit the inclusion of investment counselors several of whom expressed a desire to join.

H. C. Piper

Officers, unanimously elected, are H. C. Piper, Jr., Piper, Jaffray & Hopwood; Minneapolis, President: William Busta, Caldwell-Phillips Co., St. Paul, Vice-President; Leo White, Merrill Lynch, Pierce, Fenner & Beane, St. Paul, Treasurer, and Jay Marsh, Woodard-Elwood & Co., Minneapolis, Secretary. The new officers and Bernard Dechein of J. M. Dain and Company, Minneapolis, had been most active in organizing the new Association.

Plans call for at least six meetings a year at which members will hear speakers on subjects of particular interest. George Halpin, Director and Vice-President in charge of sales for Minnesota Mining and Manufacturing Co., St. Paul, was the speaker at the first meeting.

Sterling, Grace to Admit

Sterling, Grace & Co., 50 Broad Street, New York City, members of the New York Stock Exchange, will admit Clement Cleveland III and David Ralph Grace to partnership as of Nov. 20. Mr. Cleveland will acquire the Exchange membership of the late John A. Hance.

American-Marietta Stock Marketed by First Boston Group

The First Boston Corp. and associates publicly offered Nov. 18 125,000 shares of common stock of American-Marietta Co., manufacturers of paints and varnishes, at $15 per share.

Proceeds from the sale of the stock will be added to general funds and are proposed to be used for additional working capital. Expanded operations and sales, increased inventories and inventory costs, increased receivables and other factors have increased working capital requirements. Although no definite allocations have been made, it is expected that an expenditure of $750,000 will be made in connection with the company's building program.

American-Marietta Co. and its subsidiaries manufacture and sell industrial finishes and coatings, as well as paints, varnishes, lacquers and enamels, known in the paint industry as "trade sales items." Trade sales items, sold mostly under the company's trade names are used for various purposes, such as household use and the maintenance of industrial plants and equipment. The company also makes and distributes certain other products, including asphalt mastic building board, pre-molded asphalt and fiber expansion joints for concrete pavements, resins, glues and certain chemicals.

The company's capitalization after the financing, including the proposed sale of 5,000 shares of common stock to certain executive personnel, will comprise a funded debt of $5,000,000; 41,548 shares of 5% cumulative preferred stock, $100 par value; 178,890 shares of common, $2 par value, and 449,025 shares of class B common, $2 par.

Factors in the Outlook for The Securities Markets

(Continued from page 4)

including government workers, other white-collar workers, and those living on pensions and other forms of fixed income. These are the people who are the victims of the present inflation. In many cases the purchasing power of their income is at bare subsistence levels and leaves no margin for the purchase of durable goods.

Strains on Capital Structures

(2) As a corollary, the sharp rise in prices has resulted in the appearance of stresses and strains in the working capital position and in the capital structure of industry. At present prices, a much greater amount of capital is required to maintain operations at a given level and there is, an as yet, undisclosed substantial increase in operating costs arising from the greatly increased replacement costs of plant and machinery. Huge demands for increased credit and capital have arisen as a result of the increased cost of plant expansion and a great rise in inventories.

Almost every important company that we can think of has already undertaken or will be obliged to undertake large-scale issues of long-term debt or stock to sustain business at current levels.

We have already witnessed a great increase in commercial loans as a reflection of this condition. The business loans of all insured banks are estimated currently at $33.5 billion, 100% above the level of $16.8 billion at the end of 1944, and comparing with $12.6 billion at the end of 1937.

We have likewise witnessed recently a great increase in corporate issues for new money purposes and the probabilities are that we shall see a huge volume of bond and stock issues for new money purposes over the next several years. On the basis of prospective new capital requirements and a reasonable estimate of the degree to which industry will be able to provide itself with capital from internal sources, we estimate that the capital markets will be called upon to meet a demand at a rate of $5 to $6 billion a year over the next several years and it remains to be seen whether the rate of savings available for investment will be sufficient to satisfy these requirements. This points to the possibility of a saturation of the capital markets of which we have had recent ominous hints in the failure of a number of fairly-priced, new money, high-grade bond issues.

This also suggests the probability of a rising trend of interest rates and the prospective dilution of equity earnings.

It emphasizes above all else the impaired position of marginal companies. Under the conditions of the capital market which I envision, only the most creditworthy companies are likely to be able to raise their requirements in the capital markets. Reorganization is the prospect which faces the marginal companies that will be unable to raise capital under these conditions.

Increasing Competition

(3) Regardless of the over-all level of business activity, an intensified degree of competition as we pass from a sellers' to a buyers' market and a tighter situation in the capital markets point to the probability of a sharp uptrend in the rate of commercial failures. This suggests the need for a high degree of selectivity in investment policy at this time and a steady up-grading of quality in both fixed income and equity investments.

(4) These prospects as well as recent developments point to a long-term downtrend of bond prices. We appear now to be completing the first phase of this turn in the major trend, involving roughly a 3% yield basis for high-grade corporates as against a 2½% basis which prevailed a year ago. While I believe that the high-grade bond market may stabilize around these levels for some time ahead, I am of the opinion that over the longer term we shall witness successive phases of a major bear market in view of the enormous capital needs of industry and the necessity of adopting measures to forestall a destructive inflation.

We have also witnessed a drastically reactionary behavior recently in lower-grade bonds. The representative Dow Jones Forty Bond Index is currently below 99, more than 10 points below its 1946 top and already well below its 1936 high. One of the most discouraging aspects of the securities markets currently is the persistent weakness in low-grade bonds. The Dow Jones index of income rails is currently almost 15% below its 1947 top and has shown almost no ability to rally throughout the entire year.

(5) I believe that a factor for investment analysts to watch for at this time is the appearance of strains in our credit structure, as over-expansion of bank credit is the familiar forerunner of depression.

I do not believe that the rise in bank loans has yet reached dimensions that can be called "over-expansion of bank credit," but the trend is significant none the less.

The commercial loans of all insured banks plus consumer credit are presently estimated at about 18% of the gross national product as compared with 9.4% at the end of 1944, when admittedly the amount of private short-term debt outstanding was relatively small. The present ratio is about equal to that of 1936 and compares with about 23% average in the period 1939-1941. This ratio probably was close to 30% in 1920. On this basis I do not feel that the danger signals are flying as yet, but the trends should be observed carefully.

Export Decline

(6) We face the prospect of a sharp decline in exports next year. We have already witnessed a significant decline since May of this year, reflecting the acute dollar shortage which is afflicting virtually the entire world and compelling restrictions on imports from the United States. When and to what extent the Marshall Plan will become effective, I am not prepared to predict, but I will suggest that we may see a decline in 1948 exports of as much as $5 billion below this year's level, even granting the implementation of the Marshall Plan in the course of the next year. This plan will finance only vitally needed exports to 16 European nations.

The prospective decline in exports is not of itself necessarily bearish in view of our huge domestic demand. Indeed, it might be helpful to the extent of relieving the strong upward pressure on our price level. It does suggest, however, that certain industrial groups, whose products are not of a vitally essential character and which have been heavily dependent on exports in recent years, might be seriously affected by these developments. One of the principal inquiries that we are making at this time is along this line, namely, to determine whether there are any industries whose production, shipments and earnings might be seriously curtailed by drastic restrictions on the import of non-essentials from the United States.

About a year ago we eliminated large holdings of the motion picture stocks from all of our portfolios and one of the major considerations leading to this decision was the prospective curtailment of exports.

(7) Another major prop of the economy which may be of diminishing importance from here out is the demand for goods for purposes of inventory stocking. As supply comes into balance with demand, as inventory pipelines are filled, in one industry after another demand will shrink at least to the level of current replacement requirements. Government economists estimated recently that inventory stocking has accounted for a demand for goods in recent years at a rate of $12 billion per annum.

(8) The conjunction of impaired consumer purchasing power, reduced exports and curtailed demand for inventory stocking should result in a moderately lower level of industrial production for the year 1948 as a whole.

(9) Only a moderate decline in industrial activity could result, at present high break-even point of industry, in a sharp decline in net earnings.

Squeezed Profit Margins

(10) Consumer resistance on the one hand and strong pressure for wage increases on the other will also trend to squeeze profit margins as goods become more freely available. We should bear in mind, too, that in many cases current extraordinarily favorable earnings are wholly abnormal and temporary to the extent that they stem from non-recurring substantial inventory profits.

(11) We may expect recurring international crisis to continue to exercise, as they already have, a sobering effect on speculative and investment sentiment.

(12) Common stock prices are historically in the upper stratum of their long-term range.

This is a formidable array of unfavorable facts. But it should be noted that in almost every instance they point to current *tendencies* rather than *conditions*.

Favorable Factors

The favorable factors in our balance sheet may be listed as follows:

(1) Business is good—extraordinarily so. There are no visible evidences, so far as I can see, of any deterioration of the business situation. The Federal Reserve Board index currently at about 185 is within a few points of its post-war peak. The New York "Times" weekly business index is currently at about its post-war peak. Those industries which gave some evidence of sagging earlier in the year, such as retail trade, the textiles and building construction, have gained their second wind. We have recently witnessed a sharp upturn in the rate of building activity. It is reported that 92,000 new houses were started in September and a like number in October, about 30,000 per month above the same period of last year. This is at a rate about equal to the peak of the 1925 boom construction year. It might be worth while to point out here parenthetically that the last building boom in this country took place more than 20 years ago.

(2) The current level and trend of new orders suggests a well maintained level of production activity for a number of months ahead. Our index of new orders, which is broadly representative and which is adjusted for seasonal variation as well as price change, was at about its post-war peak in the first week of November, having experienced a rise of about 11% in the last two months.

(3) I think we will all agree that the state of our economic health depends essentially on the rate of activity of the heavy industries. The level of activity of the heavy industries determines our overall level of employment and sustains the rate of activity and employment of the consumers non-durable goods groups.

I cannot conceive the possibility of a major economic depression in the visible future when I contemplate the huge firm bank of unfilled orders of our major heavy industries—enough in some instances to guarantee capacity operations for one, two or even three years ahead. We are still suffering acute shortages of certain basic steel products, and there are great accumulated and prospective orders for automobiles, electrical equipment, railroad equipment, farm machinery, oil industry equipment, general industrial machinery, and housing.

Superimposed on our great domestic demand are the huge requirements for the industrial rehabilitation of Europe, which should be implemented to an important degree by the operation of the Marshall Plan. While undoubtedly we shall scale down substantially the requirements as set forth in the report of the Cooperative Committee of the 16 Nations, this report nevertheless is significant as indicating the extent of these estimated requirements. The report lists the following major heavy industrial requirements over the next four years:

Electric equipment	$500,000,000
Petroleum equipment	553,000,000
Steel plants	400,000,000
Railroad equipment	490,000,000
Agricult. machinery	1,200,000,000
Mining machinery	220,000,000

The magnitude of these requirements may be seen if we compare such requirements in the year 1948 with our estimated total exports of several of these classifications in 1947. We find, for instance, that the requirements listed in this report for 1948 are 123% of 1947 shipments in the case of agricultural equipment, 115% in the case of petroleum equipment, 130% in the case of railroad equipment, and 65% in the case of electrical equipment. The estimated requirements of $100,000,000 of steel plant equipment in each of the next four years compares with the combined peak war-time sales of Mesta Machine and United Engineering of $109,000,000 per annum.

According to the SEC, planned capital expenditures by industry excluding agriculture are $15.2 billion in 1947, comparing with actual expenditures of $12 billion in 1946 and $5.2 billion in 1939.

Favorable Building Cycle

(4) We should bear in mind, too, that we are in the course of a long-term favorable building cycle which has been interrupted by the Second World War and which appears to have several years to run, based on historical precedent.

The enormous increase in population since the outbreak of World War II is itself a sustaining factor of economic activity.

(5) As a corollary, we have today full employment. We have more than 60,000,000 employed without benefit of Mr. Wallace.

(6) Another major group of our economy is the extraordinary prosperity of the farm areas. Cash farm income from marketing this year may approximate $30 billion as compared with $24.5 billion in 1946 and an average of $8 billion in the period 1935-1939.

(7) While the margin of consumer disposable income above consumption requirements has been declining, it should be observed that it is still high both in absolute total and in relation to the total national income. Moreover, accumulated savings have brought estimated holdings of liquid assets by individuals to a current level of over $150 billion as compared with less than $50 billion in 1939.

There is as yet no evidence that consumers have been priced out of the market. Demand for textiles, household equipment, automobiles, etc., gives no evidence of abatement. A recent check which we made reveals that the major rubber companies reached new sales peaks in the month of October.

1948 Tax Reduction

(8) While the requirements under the Marshall Plan may modify the prospects for tax reduction, I believe that in 1948 we may nevertheless anticipate some reduction in individual taxes, which will increase net consumer disposable income and release funds for the capital markets.

(9) I believe that we may expect overall commodity prices to work lower in the course of the coming year which will remedy to a degree the present price-income disequilibrium.

(10) I should expect after a period of correction of present prices to see commodity prices stabilize over a considerable period well above pre-war levels, probably in the neighborhood of about 60% above such levels.

(11) While there are present evidences of stresses and strains in the credit structure and capital markets, I do not believe that we can say that the danger signals have yet been raised. The total of commercial credit plus consumer credit represents a still reasonable proportion of the gross national product. While there has been some quality deterioration of working capital positions, these are still for the most part strong.

I believe that this is a matter for careful scrutiny, but not one of present concern.

While there has been a moderate rise in interest rates, a trend which I believe will continue over the longer term, money market conditions are still relatively easy. Certainly conditions do not suggest an early credit stringency.

An essential element of every major depression has been the forced liquidation of large speculative positions to reduce swollen bank indebtedness. I do not believe that we have such conditions present today. Certainly not in the securities markets.

As for inventories, these at over $40 billion are admittedly high in absolute terms, but they still bear a modest relationship to national income, new orders and shipments, and are high only if we can contemplate a sharp early decline in sales.

(12) Common stock prices are moderately high viewed historically but they are not high in terms of 1947 dollars, for what that may be worth, or in relation to current earnings and dividends.

Favorable Price-Earnings Ratios

A factor which sustains my confidence in equity prices at this time is the extraordinarily favorable current relationship of equity prices to earnings. I believe that we shall see an overall decline in corporate earnings in the coming year; but the market has already made liberal allowance for this prospect. The Dow Jones industrials are selling currently at less than ten times their probable earnings in 1947. If these earnings could be regarded as "normal" they should be worth at least fifteen times in the present money market. On this basis these stocks may be said to be discounting a decline of as much as one-third in net earnings. On the basis of recent tests which we have made I should say that many representative industrial stocks holding favorable prospects for a well sustained volume over the next year are currently discounting a decline of as much as 50% in net earnings.

We maintain what we call an "index of confidence," which expresses the relationship of yields of Moody's 200 common stocks as a percent of the yields of Moody's AAA corporate bonds. This index stands currently at 187, that is, common stock yields are 187% of high-grade bond yields. This ratio stood at 135 in May 1946. It stood at 210 in May 1947. Over the past 20 years the average relationship has been 145.

For what it may be worth, there has never been a time in the last 20 years when common stocks have not provided longer term satisfactory investment experience when purchased at the current level of this index.

Summary

To summarize: Stresses and strains are beginning to develop in our credit structure and capital markets but I should not say that the danger signals have yet been hoisted. Somewhat lower earnings lie ahead in 1948, for which equity prices appear to be making adequate allowance. The present business momentum should carry us for a considerable time let us say through the first half of 1948 at least, at a high level of industrial activity. Stock prices are soberly appraising the outlook.

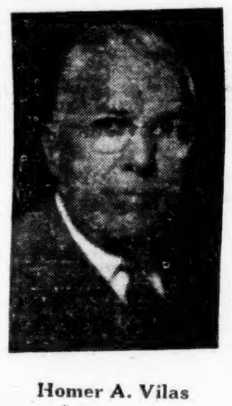
Translated into policy, in our stock funds in which we take a relatively short view, we are prepared to maintain for the present a substantially fully invested position, holding moderate reserves of cash and governments to be employed in periods of market dips or in the advantageous purchase of available blocks. At the risk of being trite, I should say that we regard selectivity at this time as of greater importance than the question of timing. We are placing major emphasis in our common stock portfolios on the oils, chemicals and heavy industrials.

In our balanced fund, in which we take a long view, it is our policy to reduce our speculative risks as these risks increase, that is, as the market advances. In June 1946 we reduced the proportion of common stock in this fund to about 40% of the total portfolio and we are currently holding about this ratio. In the fixed income section of the portfolio we are placing major emphasis on governments and good grade convertibles.

These observations reflect our present views and policies. We believe on the whole that selection and distribution of risk are of more vital importance than timing in our common stock funds; but we all know too that in this present world of dynamic change a satisfactory investment experience demands eternal vigilance and readiness to amend policies promptly and decisively to keep them geared to changing conditions.

Vilas President of Ass'n of Stock Exch. Firms

Homer A. Vilas, partner Cyrus J. Lawrence & Sons, New York City, was elected President of the Association of Stock Exchange Firms at the annual organization meeting of the Board of Governors.



Homer A. Vilas

John Witter, partner, Dean Witter & Co., San Francisco, George R. Kantzler, partner, E. F. Hutton & Co., New York, and Walter W. Stokes, Jr., partner, Stokes, Hoyt & Co., New York, were elected First Vice-President, Second Vice-President, and Treasurer, respectively.

Sidney L. Parry, Henry W. Putnam and W. W. Peake were reappointed Executive Vice-President, Vice-President, and Secretary, respectively.

The Board approved Mr. Vilas' appointments of Standing Committees for the ensuing year, the Chairmen and Vice Chairmen of which are as follows:

Banking Relations: George R. Kantzler, Chairman, E. F. Hutton & Co., New York; James F. Burns, Jr., Vice-Chairman, Harris, Upham & Co., New York.

Bond: Leonard D. Newborg, Chairman, Hallgarten & Co., New York; Robert Danks, Vice-Chairman, Ernst & Co., New York.

Business and Office Procedure: Harold P. Goodbody, Chairman, Goodbody & Co., New York; Harold L. Bache, Vice-Chairman, Bache & Co., New York.

Customers' Brokers: Harold L. Bache, Chairman, Bache & Co., New York; Maynard C. Ivison, Vice-Chairman, Abbott, Proctor & Paine, New York.

Employee Relations: M. Donald Grant, Chairman, Fahnestock & Co., New York; Gardner D. Stout, Vice-Chairman, Dominick & Dominick, New York.

Foreign Business: Hans Widenmann, Chairman, Carl M. Loeb, Rhoades & Co., New York; William W. Cumberland, Vice-Chairman, Ladenburg, Thalmann & Co., New York.

Investment Advisory: M. Donald Grant, Chairman, Fahnestock & Co., New York; George R. Kantzler, Vice-Chairman, E. F. Hutton & Co., New York.

Investment Banking Relations: F. Dewey Everett, Chairman, Hornblower & Weeks, New York; C. Newbold Taylor, Vice-Chairman, W. H. Newbold's Son & Co., Philadelphia.

Legislation: Laurence P. Smith, Chairman, Bennett, Smith & Co., Detroit; Lyon Carter, Vice-Chairman, Estabrook & Co., Boston.

Public Relations: James F. Burns, Jr., Chairman, Harris, Upham & Co., New York; Walter W. Stokes, Jr., Vice-Chairman, Stokes, Hoyt & Co., New York.

Regional Exchanges: C. Newbold Taylor, Chairman, W. H. Newbold's Son & Co., Philadelphia; Ralph W. Davis, Vice-Chairman, Paul H. Davis & Co., Chicago.

Taxation: Benjamin A. Griswold, III, Chairman, Alex. Brown & Sons, Baltimore; Richard P. Dunn, Vice-Chairman, Auchincloss, Parker & Redpath, Washington, D. C.

The following were elected to membership on the Board of Governors to serve their first term: Ralph W. Davis, Paul H. Davis & Co., Chicago; J. Lewis Gabel, Bogardus, Frost & Banning, San Francisco; Russell E. Gardner, Jr., Reinholdt & Gardner, St. Louis; Maynard C. Ivison, Abbott, Proctor and Paine, New York City; F. W. Pershing, Pershing & Co., New York City; Frank C. Trubee, Jr., Trubee, Collins & Co., Buffalo; and Hans A. Widenmann, Carl M. Loeb, Rhoades & Co., New York City.

Members of the Board reelected to serve their second terms are: James E. Hogle, J. A. Hogle & Co., Salt Lake City; William E. Huger, Courts & Co., Atlanta; and George R. Kantzler, E. F. Hutton & Co., New York City.

James F. Burns, Jr., who has been President of the Association for the past year, was also elected to membership on the Board of Governors.

Benjamin T. Burton, Burton, Cluett & Dana, New York City; Dean Dillman, E. F. Hutton & Co., San Francisco; Harold T. Johnson, Jas. H. Oliphant & Co., New York City; Harold C. Patterson, Auchincloss, Parker and Redpath, Washington, D. C.; and Charles N. Schenck, Jr., Mitchell, Hutchins & Co., New York City, were elected to serve on the 1948 Nominating Committee.

Mutual Funds

By HENRY HUNT

Attracting Larger Firms

While small to medium sized non-member firms still account for a majority of sales of mutual fund shares today, an encouraging development during the past 12 months has been the trend on the part of larger firms, both member and non-member, to place such shares in clients' accounts for the first time.

In the case of some member firms, the swing to mutual fund shares is probably due to an effort to place small or inactive accounts on a profitable basis. On the other hand, many of these larger firms are beginning to recognize the creditable investment management job being done by many of the mutual fund sponsor corporations.

As a vice-president* of a large West Coast outfit recently put it to the writer, "Two years ago we wouldn't even talk to a wholesaler of mutual fund shares. However, after the market break in 1946, we did a little checking on how our clients' accounts had been faring. We checked them on a one-year basis, a two-year and a five-year. We then compared the results with those of leading mutual funds. Much to our chagrin, we discovered that even the mutual fund with the worst record had outperformed our record. Today, our volume of mutual fund sales exceeds all other offerings combined."

We might venture to say that if every investment firm applied the above acid test to its clients' accounts, not a very large percentage would be able to show results superior to that of the better-managed mutual fund portfolios.

The Dismal Situation

Distributors Group recently published a well-written folder discussing the outlook for the aviation industry as follows: "Today, the aviation picture is 'a study in horizontals.' In other words, it looks flat on its back. In 1932, the automobile industry was 'in the red.' The country was 'over-supplied' with cars. It was said it would take 'seven or eight years to work off the surplus'; furthermore, 'the profit had gone out of the industry.' Well, within two years automobile stocks had increased 409% on average!

"In 1935, utility shares were actually lower than their 1932 depression lows. Nobody wanted them. The 'death sentence' was projected . . . government ownership and operation of all electric light and gas companies appeared imminent . . . utility stocks slumped.

"But look—in 1937, shares in this sick industry sold 161% higher than they had been selling two years previously!

"Now, Let's Have One More Fact: In 1941, many railroads were still in the throes of receivership . . . the outlook for the carriers left about everything to be desired . . . in consequence, rail bonds sold as much as 50% to 60% below par.

"Yet—the values were there. By the time 1946 rolled around everyone realized it—too late! Even second-grade rail bonds were above par!

"Three Depressing Pictures . . . Three situations as dismal as aviation is now. And note that in each case—that of automobiles, of utilities, of rail bonds—the securities were cheap precisley because the news was bad, so that VALUES were neglected.

"And the application today? Just this:

"—That the American aviation industry will continue to exist . . .

". . . That passengers and cargo will continue to be transported . . .

". . . That this country will have enough intelligence to maintain an adequate military establishment in the air . . . .

"Then the time to buy into the aviation industry is when others, more timorous, less far-sighted, are selling."

Rice Eaters

Many a bride has boiled a pound of rice for her husband, only to discover, to her dismay, that she had cooked enough for eight portions. In view of the expansive qualities of rice and its lack of flavor (without a good gravy), it is not surprising that the average per capita consumption of rice in the United States is only five pounds a year.

Believe it or not, according to the "Wall Street Journal," the average per capita consumption of rice in Japan is 350 pounds a year!

Which Industry?

Hugh W. Long in his November **New York Letter** writes as follows: "Which industries are likely to report greater earnings in 1948 than in 1947, which as much as in 1947? This question is frequently asked. It is obvious that earnings trends must be one of the factors weighed in arriving at our industry ratings in addition to the level of stock prices—industry by industry—income prospects and normal price volatility, to mention just a few others.

"As we see them now, these are the industries whose 1948 earnings are likely to exceed those of 1947:

Agricultural Implement	Oil
Automobile	Railroad
Aviation	Railroad Equipment
Building	

"With the exception of Aviation, Railroad, and Railroad Equipment, increases in earnings for these industries would expand an already good-to-high level of earnings. The Aviation industry will have reported such poor earnings in 1947 that any change should be for the better. The Railroad and Railroad Equipment industries will have reported only 'fair' earnings for this year—for differing reasons—but in both instances, prospects favor improvement next year.

"Earnings trends for the following industries next year are likely to be sidewise, i.e., less than 10% up or down from 1947 earnings.

Banks	Machinery
Chemical	Merchandise
Electrical Equipment	Metals
	Public Utilities
Food	Steel
Insurance	Tobacco

"If we were to qualify the 'sidewise' estimate, it would be for the Chemical and Machinery industries, which might do better than that, depending upon the unfolding of economic circumstances, and for the Public Utility industry, which might experience a moderate downtrend in earnings."

Butler or Maid

We like the story recently published in the "Readers' Digest" about the chap who was describing his visit to a nudist party.

"They sure didn't do things by halves," said he, "Even the butler who met me at the door was stark naked."

A literal-minded friend asked, "If he didn't have any clothes on, how did you know he was the butler?"

"Well," was the reply, "it certainly wasn't the maid!"

Population and Housing

Selected Investments Company of Chicago in **"These Things Seemed Important,"** quotes President Baker of National Gypsum Company as follows: "Between 1930 and 1940, census figures indicated an increase in the number of families by more than 5,000,000 while dwelling units constructed totaled 2,734,000, or a deficiency of about 2,300,000. Since that census there has been a net increase in families of 9,600,000 and new dwelling units added to the end of 1946 of 2,600,000 million, a deficiency of 7,000,000. In 1947, completed new dwelling units are estimated at 700,000, while new families increased 1,000,000, a further deficiency of 300,000. These figures add up to an accumulated demand at Jan. 1, 1948, for over 10,000,000 new homes. Reliable sources estimate construction of 850,000 dwelling units in 1948 and 950,000 in 1949. That rate is inadequate to meet the annual increase in new families and loss of homes through fire and deterioration."—Not to mention the present backlog of 10,000,000 homes!

Notes

National Notes No. 436, published by **National Securities & Research Corporation**, is captioned, "For Your Family—A 'National' Christmas Gift." It is dressed up with an attractive Santa Claus in two colors.

Your correspondent takes a bow to Wellington Fund, Investor's Syndicate, and Selected Investments Company, all of whom reprinted the "8,000 to 1 Shot" article that appeared in this column a few weeks ago.

*Name will not be supplied upon request.

Edward H. Hoopmann Promoted by SEC

Edward H. Hoopmann has been promoted to assistant regional administrator in the New York

Edw. H. Hoopmann

regional office of the Securities and Exchange Commission, it has been announced. Mr. Hoopmann, who was formerly technical advisor, replaces Mayer U. Newfield, who has resigned to become assistant city attorney for Birmingham, Ala.

Richard J. Cornell succeeds Mr. Hoopmann as technical advisor.

Andrew Hazlehurst Dead

Andrew Hazlehurst, member of the New York Stock Exchange, died Nov. 15 at the age of 66. Mr. Hazlehurst was a partner of Norris & Kenly, Chicago brokerage firm, representing them on the New York Stock Exchange.

Joins Timberlake & Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE—Vaughn E. Roney is with Timberlake & Co., 191 Middle Street.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Henry B. Henze, an Assistant Vice-President of **United States Trust Co. of New York,** in its

Henry B. Henze

Trust Administration Department, completed, on Nov. 12, 40 years of service with the company. Mr. Henze is President of the trust company's Twenty-Five Year Club.

* * *

N. Baxter Jackson, Chairman of the **Chemical Bank & Trust Co. of New York,** was host on Nov. 17, at a dinner of the Quarter Century Club of the bank held in the grand ballroom of the Hotel Delmonico at Park Avenue and 59th Street. The club has a membership of 176 of which 141 are actively employed and 35 have been retired. At an election which preceeded the meeting, Emil J. Horn succeeded Frederick H. Rommel as President of the Club.

Mr. Jackson of the Chemical announced on Nov. 13 the appointment of Ralph G. Peterson as an Assistant Treasurer of the bank. Mr. Peterson joined the staff of the bank in 1922 and has been an Assistant Comptroller since January 1943.

* * *

David B. Mathias, auditor of **Bankers Trust Co., New York,** has been named Deputy Comptroller by the board of directors, according to an announcement Nov. 17 by S. Sloan Colt, President. Charles F. Jennings has been appointed Auditor, while Clifford A. Watkins has been elected an Assistant Treasurer.

* * *

The election of John Gerosa as a trustee of the **North Side Savings Bank of New York,** at 3230 Third Avenue (the Bronx), was announced on Nov. 10 by the bank's President, Fred Berry. Mr. Gerosa has been active in Bronx affairs since 1908. In addition to his various business activities, Mr. Gerosa is a director of the Bronx County Trust Co. and a director of Columbus Alliance, Inc.

* * *

Horace Schermerhorn, Vice-President of the **National Shawmut Bank of Boston,** was elected Trust Officer of the bank on Nov. 13, it was made known in the Boston "Herald" of Nov. 14, which reports that he succeeds the late Frederick A. Carroll. Mr. Schermerhorn, who was born in Jersey City, N. J., joined the Shawmut Bank in 1925.

* * *

Somerville Trust Co. of Somerville, Mass., and the **Middlesex County National Bank of Everett, Mass.,** have consolidated, effective Nov. 3, under the charter and title of the latter institution. In connection with the consolidation, the former main office of the Somerville Trust Co. as well as the branch formerly operated by the Somerville Trust Co. will be operated by the Middlesex County National Bank, it was stated by the Board of Governors of the Federal Reserve System on Nov. 8. The Middlesex County National Bank has a capital of $1,100,000 while the Somerville Trust Co. had a capital of $200,000.

* * *

The directors of **The Union and New Haven Trust Co. of New Haven, Conn.,** have promoted Raynham Townsend, Assistant Trust Officer, to the rank of Trust Officer, and has elected William B. Hall and Horace W. Davis Jr., members of the Trust Department staff, to positions as Assistant Trust Officers, according to an announcement made on Nov. 10 by Edward M. Gaillard, President, it is learned from the New Haven "Evening Register."

* * *

Henry F. English, prominent in financial and civic affairs in New Haven, Conn., died on Nov. 15. He was 96 years of age. While Mr. English had been ill only two days with penumonia, the New Haven "Evening Register" states that for the past three years he suffered complete blindness. The "Register" also said:

"He retired more than five years ago from personal business activities and also relinquished connections with some banking institutions he had held many years, except one, that as a member of the board of directors of the **First National Bank and Trust Co.** His two sons, Harold K., and Capt. Philip H. English, took over management of Mr. English's extensive real estate and other personal affairs."

Citing some of his other activities, the "Register" stated in part:

"Mr. English was one of the oldest members of the New Haven Colony Historical Society, and a member of its board of directors. In 1891 he gave funds with which the Society was provided with a permanent home for care of many articles and records of historical interest.

"Mr. English had been a member of the New Haven Board of Park Commissioners since March 15, 1887, being appointed with life tenure, succeeding Charles C. Blatchley. At the same time he was elected Secretary and Treasurer. When the Park Commission under a charter was reorganized in 1889, Mr. English became a permanent member. He continued his duties as Secretary and Treasurer, which offices he held until January, 1938, when he resigned but continued as a member of the board."

* * *

Plans for a merger of the **Union County Trust Co.** and the **Elizabeth Trust Co.,** both of Elizabeth, N. J., under the name of the Union County Trust Co., to become effective on Dec. 31, have been presented to the stockholders, it was announced on Nov. 14. The announcement was made by George W. Bauer, President of the Union County Trust Co., and Myles C. Morrison, President of the Elizabeth Trust Co. Stockholders of the Elizabeth Trust will pass on the proposal on Dec. 8, while the Union Trust's stockholders will take action on Dec. 9. The Newark "Evening News" of Nov. 15 in reporting the plans, said in part:

"Under the terms of the merger, Elizabeth Trust's common stockholders can cash their stock in for $1 a share, or trade 10 of them in for one share of the common capital stock of the Union County Trust. There are 6,200 of these shares, each with a par value of $10.

"The Reconstruction Finance Corporation, which holds all of the $495,000 of Elizabeth Trust's class A preferred stock, will be repaid in full. Holders of the 46,000 shares of class B preferred stock can cash it in at $10.50 a share, or exchange four shares for a share of Union County Trust common plus $32 in cash. The class B preferred was issued in June, 1934, at $10 a share with 3% annual cumulative interest."

* * *

J. Harrison Jones has been elected Executive Vice-President of **Liberty Title & Trust Co. of Philadelphia,** according to the Philadelphia "Inquirer" of Nov. 11, which further said that Daniel J. McCarthy, Patrick A. Rossiello and Joseph A. Pellegrino were named Assistant Secretaries.

* * *

It was made known in the Pittsburgh "Post Gazette" on Nov. 12 that Hugh D. MacBain, Vice-President of The **First Boston Corporation of Boston, Mass.,** would become Vice-President of the **Mellon National Bank and Trust Co. of Pittsburgh** on Nov. 15. The "Post Gazette" further said:

"Frank R. Denton, Vice-Chairmann of the bank, made the announcement. As Vice-President in charge of sales and syndicate operations of the Mellon Securities Corporation, Mr. MacBain served under Mr. Denton when the latter was President of that securities company."

* * *

Advices to the effect that the **First National Bank and Trust Co. of East Pittsburgh (Pa.)** will become a branch of the **Mellon National Bank and Trust Co. of Pittsburgh** about the middle of December were contained in the Pittsburgh "Post Gazette" of Nov. 4.

Assets amount to more than $14,300,000, it is stated. It is added that the bank is the successor to the Commonwealth Bank of East Pittsburgh, organized in 1900, and the East Pittsburgh Savings and Trust Co. formed in 1902.

* * *

Promotions in the official staff of the **Union Trust Co. of Baltimore, Md.,** and the election of two new directors on Nov. 12 were noted, as follows, in the Baltimore "Sun" of Nov. 13, by J. S. Armstrong, Financial Editor of that paper:

"Three former Assistant Vice-Presidents, Joseph B. Browne, Andrew J. Hundertmark and George J. Grim, were elected Vice-Presidents of the company.

"Added to the board of directors were Talbot T. Speer, President of the Baltimore Salesbook Co., and William Axer Graham, a member of the firm of Niles, Barton, Morrow & Yost.

"The company also announced the promotion of Elliott T. Cooper from Assistant to the President to Assistant Vice-President. Ernest L. Poynter, Trust Officer, was named Assistant Vice-President and Trust Officer. Lemuel J. Kemp, Assistant to the President, was named an Assistant Secretary-Assistant Treasurer. Laurence E. Oursler, former manager of the company's Forest Park office, was also elected an Assistant Secretary-Assistant Treasurer."

* * *

According to the Baltimore "Sun" of Nov. 14, plans for the merger of the **Bank of Baltimore County at Towson, Md.,** with the **Fidelity Trust Co. of Baltimore,** were announced on Nov. 13. Stockholders of both institutions will act on the proposal at special meetings on Dec. 2. It is contemplated that the merger become effective Dec. 20, said the "Sun," from which we also quote:

"Under the merger, Fidelity would operate the Towson bank as a branch, adding it to the six offices which the trust company now operates in Baltimore including the main office at Charles and Lexington Streets.

"Under the plan, stockholders of the Bank of Baltimore County would receive one share of Fidelity capital stock for 1⅔ shares of common stock of the Towson bank. Preferred stockholders of the County bank would receive payment in cash of $50 a share, and accumulated dividends to Jan. 1, 1950.

* * *

Alfred T. Button, Vice-President and Cashier of the **Dollar Savings & Trust Co. of Youngstown, Ohio,** died on Nov. 9, it was stated in special advices from Youngstown to the Cleveland "Plain Dealer" on that date. Mr. Button, who was 55 years of age, was taken ill at a meeting of bankers in Cleveland on Nov. 7. He had been associated with the bank for 33 years.

* * *

The **First National Bank of Lake Forrest, Ill.,** has increased its capital from $200,000 to $300,000 (effective Oct. 31) through a stock dividend of $100,000, according to the Nov. 10 bulletin of the Comptroller of the Currency.

* * *

Stockholders of the **Marshall & Ilsley Bank of Milwaukee, Wis.,** at a special meeting on Nov. 11 approved a proposal by the bank's directors to increase the common capital stock from $2,000,000 to $2,500,000, it is learned from the Milwaukee "Journal" of Nov. 12, which added:

"This additional stock will be paid in the form of a 25% stock dividend Dec. 26 to stockholders of record Dec. 19. The bank is this year celebrating its 100th anniversary."

In its statement of condition on Oct. 6 the bank reported preferred capital of $1,000,000 (200,000 shares 4% cumulative $50 par value) and common stock $2,000,000 (100,000 shares par $20). The bank also reports surplus of $2,000,000 and undivided profits of $1,384,487.

* * *

Ben R. Meyer, President of the **Union Bank & Trust Co. of Los Angeles, Cal.,** announces affiliation with that institution, as trust representative, of Lewis B. Maier. Mr. Maier practised law from 1922 to 1924 in Tucson, Ariz., following which he was associated with the trust department of a Los Angeles bank for 15 years. In 1939 he was appointed to the staff of the California State Chamber of Commerce. A 2nd Lieutenant in World War I, he also served in World War II in the Army Air Forces, attaining the rank of Major. Active in business, civic and service organizations, he is Past Secretary-Treasurer, California Escrow Association; Past President, Los Angeles Chapter, Reserve Officers Association, U. S. Army; 1st Past President, Southern California Alumni Association, University of Arizona, Los Angeles; active member, State Bar of Arizona and American Institute of Banking, etc.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

After making new lows, which carried most issues through previous resistance levels, quotations of government obligations are showing signs of stabilizing slightly above the worst prices registered in the recent sell-off. . . . Whether present levels will hold is purely conjecture, because the money markets are too confused to know what to do next. . . . The lowering of the buying rate by Federal for longer certificates and notes added to this uncertainty. . . . The refunding program as well as the calling of bonds for next March shows no change in the policy that has been in vogue. . . . This indicates the continued elimination of high coupon bonds. . . .

Switching from the longest eligibles into the tap bonds helped depress prices of the bank issues and gave a fillip to the ineligible obligations. . . . More of this is looked for, which may mean that the three-point differential between these securities will be lessened. . . .

President Truman's message to Congress asked for credit controls, but only in a general way, aside from the reestablishing of consumer credit restrictions. . . . While there is considerable talk about the powers-that-be asking for increased controls over reserves and bond holdings of the member banks, little will be definite until legislation has been introduced. . . . Qualitative credit controls will most likely be asked for, because these should enable the authorities to curb the inflationary loan trend, without so much effect upon government securities. . . .

TREASURY MOVES

In addition to tightening the money markets, the monetary authorities continue the policy of progressively increasing short-term rates. . . . The Treasury has just announced the refunding of the Dec. 1 (7/8%) certificates and the Dec. 15 (2%) bonds with 13 months' 1 1/8% Treasury notes. . . . This is only a very slight upward revision and indicates that the process of firming rates will be gradual and orderly, despite all the talk that is going around about the need for immediate monetary action, including sharply higher rates, to curb the inflationary trend in bank loans. . . . The calling of the 2% and 2 3/4% bonds on March 15, next, will also provide the Treasury with forces that can be used to further curtail the lending policies of the member banks if the trend has not been reversed or brought under control by that time. . . .

RESTRICTING THE CREDIT BASE

It is becoming clearer that the monetary authorities will take advantage of every opportunity that is presented in order to curtail the credit base. . . . The controls that are being used are practically all quantitative, and these have been very disturbing to the government securities markets. . . . But until powers are granted along qualitative lines, the tools that are available will be used. . . .

Undoubtedly, Federal's holdings of Dec. 1 certificates (estimated to be about $200,000,000) will be turned in for cash. . . . This will further curtail the credit base. . . . As for the Dec. 15 2s, the Central Banks had only nominal amounts, although they may have been increased recently. . . . To the extent held and redeemed in cash, these will also be a factor in restricting credit. . . .

The member banks, which were the largest owners of these 2s, may not like the new offering, so they can either take cash or do their own refunding through the purchase of outstanding obligations. . . . The issues that really give the monetary authorities the opportunities to cut the credit base are the January and February 1948 certificates, since the Federal Reserve banks held about $774,000,000 and $1,781,000,000, respectively, of these obligations, which if paid off in cash, would have a very marked effect upon the credit base. . . . Government revenues at that time should be substantial enough to take care of cash repayments if needed to curb the inflationary loan trend. . . . In the March 1948 called bonds, Federal owned about $195,000,000, which could also be cashed in. . . .

INVESTOR'S DILEMMA

Assuming that the job of breaking the uptrend in loans is to be done by the end of March 1948, which should be an advantageous period for such an operation, because government revenues will be the heaviest during this interval, what should holders of government securities be doing in the meantime? . . . Also suppose there is no substantial extension of the boom, but a mild recession in business should develop after the turn of the year? . . . Although the monetary authorities have stated that stability of the government bond market is vital to the economy, does this stability mean prices under 100 for some Treasury issues? . . .

HOLD TIGHT

Would not a reversal of the loan trend mean an immediate change in policy by the powers that be? . . . Would not a recession in business, even a minor one, bring about a different attitude toward the money markets? . . .

The feeling seems to be appearing now that the loan trend can and will be curbed and it will probably be done without much greater damage to the government securities markets. . . .

This does not rule out lower prices, but it does seem to indicate that changes from here on should be slower and more orderly. . . .

If this problem of curtailing the credit base, and more specifically the loan trend, will not take too long to accomplish and is not likely to result in permanently higher interest rates, why should investors become panicky at present levels and dump their holdings of Treasury issues? . . . Qualitative credit controls, if obtained from the Congress, should give the monetary authorities the power to curb loans without further depressing the government market. . . .

All of which means that after considering the current level of prices and what could happen in the near future, it might not be amiss to ride the storm through rather than be whipsawed by becoming too bearish at the inopportune time. . . . It should be remembered that many are ready to jump in and buy as soon as the trend changes. . . .

WHAT STABILITY?

At times the bank obligations, particularly the longer partially-exempts and to a lesser extent the taxables, had very little in the way of a market at all, and this certainly was a far cry from the orderly markets that have been talked about so much in the past, by the powers that be. . . . Until support came into the longest ineligibles around 101, reportedly from the monetary authorities, about the only issues that were readily marketable were bills and certificates. . . .

A considerable portion of the recent decline in the long bonds has been due much more to the lack of bids, than to the volume of securities pressing for liquidation. . . . The higher tax-free yield in the partially-exempts compared with the taxables is beginning to create some interest among the larger commercial banks.

Taft Opposes Restoration of Economic Controls

(Continued from page 2)

may be requested. Certainly more food is being consumed in this country than necessary. But if we can't meet problems of this kind within our system of free competition and incentive, then we must regiment prices, wages and rationing forever.

Objections to Police State

Apart from theory there are three practical objections to adopting a police state. First, it chokes production instead of increasing it, and what we want is more production to give people what they need at reasonable prices. We saw under the OPA controls how many important products disappeared from the market. The housewife couldn't buy any butter, any meat, any soap or canned goods. No man could find a white shirt or a new suit. There was no leather because of the black market slaughtering of beef, and no shoes. There wasn't any lumber or building materials. And none of them came back until we got rid of OPA.

The English have complete price control and rationing, and they haven't got enough to live on. They have no incentive to get production. Men don't work longer hours, because there isn't anything to buy with the money they could earn. Surely with that example before us, we don't want to socialize and regiment America.

In the second place, nobody knows enough to do the job of control as it is done by natural economic law. There are probably a billion transactions a day in this country, and no one knows how to fix the prices and conditions to govern those sales.

OPA Bungling

I saw the little men who struggled with the problem in the OPA bureaus. They created books and books of regulations, and they had to amend them daily. If their rules fitted the East, they didn't fit the West or the South. And there was no relief from bungling and injustice. Certainly this Administration has shown no evidence of ability to do the job.

Look at the mess made of the voluntary food-saving program to carry out a highly desirable purpose. Meatless Tuesdays and chickenless and eggless Thursdays never did make any sense, because every one ate chickens and eggs on Tuesdays and meat on Thursdays, leaving them just where they were. Last Thursday morning in the dining car the steward told us that, while he could not serve eggs, he would substitute wheat cakes on every order. So to save wheat for Europe the travelers ate wheat cakes in America. What difference would it have made if the government had had legal power to enforce its decree? The compulsory plan would have been the same fool plan, and just as ineffective.

The reason this country has a surplus of food to ship in such tremendous amount is that we have pursued a system based on liberty. If we go back to government restrictions, there won't be any surplus to ship abroad, and we will be subject to the same paralysis of initiative which exists in Europe and England today.

Worker Better Off

According to the President's own statement, the average income of individuals after taxes has risen 39% since 1929 in terms of actual purchasing power. The average man is therefore 39% better off than he was at the high point of prosperity 18 years ago.

The average workman is better off today than he was in 1939 just before the war in spite of the high prices, because his wages have gone up 110 while the cost of living has only gone up about 65. Nearly half the families in the country have two workers in the family, and those families are better off than they were before the war.

Unfortunately, there are still a large number of families whose wages or fixed income has lagged behind the increase in prices. We have to do everything we can to get prices down or increase their income, but we don't need to surrender liberty to keep this country on an even keel. What emergency except a political emergency justifies making the President an economic dictator with power to run the lives of each business man, farmer, working man and housewife?

Reason for High Prices

This high-price condition is no accident. It has obviously resulted from the policies of the Administration which has controlled this government for the last 15 years and throughout the war. Prices are high because demand is greater than the supply. Although the supply is tremendously increased over prewar, the money available for spending has increased still more. The war was financed on inflation with a deficit of $50 billion a year for three or four years. The money created then and saved by the people is coming into the market to buy goods. Under Lend-Lease we distributed dollars around the world, and now those dollars are coming back from South America and elsewhere to buy goods that are insufficient for our own needs. Through the Bretton Woods Fund and Bank and the British loan we have distributed more dollars to be spent here. At the same time we have kept government expenses and taxes many times higher than they were before the war. The Administration has resisted any attempt to cut expenses or cut taxes. Every cent the government spends puts more money into the buyer's side of the market.

The huge tax burden from this expense amounting to about $40,000,000,000 a year, plus $12,000,000,000 of state and local taxes—30% of the national income—is a burden on millions of taxpayers. A lot of the taxes, however, are passed on into the cost of manufactured products. When you buy a pair of shoes you help pay the taxes of the farmer who raises the cattle, the livestock dealer, the packer, the leather processor, the shoe manufacturer and the retailer. Probably 25% of what you pay on most articles is made up of taxes.

Exports Vital Influence

Probably the most important cause of high prices is the tremendous volume of export buying. True, we have an exceptional income here at home in the United States, but the income of our people is practically balanced by our production. When we impose on top of this balance $20 billion of foreign purchases, we can hardly be surprised that a great increase in demand outruns our supply and forces prices up. This year we are exporting at the rate of $20 billion and importing at the rate $9 billion. That means that $11 billion of market demand are coming from abroad with no goods to balance them. About half of it is balanced by taxes, but the other half is pure inflation.

The President recommends that we extend and strengthen export controls. Why, he has had power to control exports right along, only he hasn't exercised it in any effective way. He has permitted the world to come in with the dollars we gave them, and bid up the price of our goods.

Must Help Abroad

Of course we have to export to Europe to prevent starvation and chaos. Everybody agrees on that. There isn't any substantial difference about the necessity of doing something at once to carry Italy and France through the winter, through a short-range emergency program. From the point of view of checking Communism, this program is essential, but it is more or less useless unless we change our policy in Germany and our policy in China. Secretary Marshall is apparently uninterested in saving China from the Communists at a very reasonable cost, while advocating billions for western Europe. His effort to re-establish the economy of western Europe with American dollars is completely hopeless as long as he continues in Germany to destroy the industrial plants which alone can make Germany self-supporting. It is most unfortunate that there is not a word of encouragement in this message for those fighting against Communism in China without ammunition and with their backs to the wall.

Urges Rationing of Relief Supplies

People seem to feel that we cannot check exports without causing hardship and starvation, but as a matter of fact, of some $20 billion of exports in 1947, only about 40% go to Europe—$12 billion go to every other section of the world—North America, South America, Asia and Africa. Surely we should ration the rest of the world on steel, grain and oil before we even consider rationing our own people. Today the Russian government has an active commission here buying American goods and paying gold for them, which is better than credit but just as inflationary. Much of what Russia is buying is heavy machinery, good for the manufacture of munitions. Why does the President grant export licenses for goods of this kind when steel and various types of machinery are insufficient for our own needs?

I have pointed out that the tremendous exports are one of the main causes of high prices here today. They can be cut down. In fact, if they continue at this present volume they present a threat to the whole economy, because they cannot possibly be maintained indefinitely when the world returns to normal. In 1929 we built up a false export trade based on private credit. When it became apparent that the loans were not to be repaid, all lending stopped, and the sudden unemployment which resulted here contributed heavily to the depression of 1932. Now we are repeating the experiment with government funds instead of private funds.

We have been aiding Europe at the rate of about $5 billion a

year of government grants, loans and other aid. I think we can maintain that rate, if we cut down on other exports and other government expenses without further serious effect on prices, and certainly without any need for setting up police state controls. But I can't see any reason for increasing the rate of the very generous contributions we have been making. No nation has ever been so generous or made such tremendous effort to export as we have during the past two years. We cannot endanger our whole economy and our whole liberty by trying to increase that $5 billion to the $8 billion a year requested by the foreign nations at Paris.

Price Curb Program

In short, the way to hold prices down is for the government to spend less money and reduce taxes, to limit exports and to hold the Marshall Plan within a reasonable figure, and to control the growth of private credit. The Marshall Plan is not primarily to relieve hardship and starvation. Our whole contribution for food, fuel and fertilizer under this plan will probably not be more than $2½ billion. The rest of the assistance requested is desirable, but much of it is not essential, certainly not worth another OPA in this country. Apparently the President thinks that we cannot adopt his version of the Marshall Plan without police state controls and another OPA.

I said last week in New York that the President was asking for two completely inconsistent policies at the same time. I said that if we wanted the $8 billion European form of the Marshall Plan we cannot have lower prices; if we want lower prices, we have to give up that Marshall Plan. If the Marshall Plan is essential for the preservation of Europe and the world, then we can better stand higher prices than we can stand a complete relapse to a Fascist regimentation of every individual in the United States. But I believe very strongly that we can adopt a modified Marshall Plan probably with more benefit to the countries concerned than if we are too lavish, and I believe that we can hold prices at reasonable amounts with such a modified plan, if we cut other expenses and taxes, control credit and limit exports.

People Opposed to New OPA

Surely the American people do not desire a return to the days of OPA. They know that the controls won't work. They remember the shortages and the black markets. In time of war a morale develops which makes it possible to maintain some control, but in time of peace those controls are certain to fall. They will not hold prices down, if we permit other conditions to go on forcing prices up.

The American people don't like to be regimented, and they don't like to be ordered around by Federal officials. Our experience with prohibition and with OPA both prove that vast black market operations develop which the Federal government itself is unable to control. Morals are broken down because it pays to be a criminal.

Surely, the President's memory must be short. It was the President's own decontrol board which took off the controls on dairy products and grains in 1946. It was the President himself who took off controls on meat just before the 1946 election. It was the President himself who took off almost all other controls in December, 1946, before the first Republican Congress in 14 years even convened. Can he sincerely believe that the government could now enforce the controls he is asking for without a vast army of enforcement agents? Or even with such an army?

Program Pleases Leftists

The President's adoption of this police state program represents the final surrender to the Left-wing. The President himself indicated clearly within a month his disapproval of price control. What has happened since? The growing importance of the Marshall Plan? But three committees of eminent men examined the Plan and found that we could safely undertake it, or the essential part of it, without serious danger to this country. While some mild forms of allocation were suggested, none of the committees thought a complete price control, wage control, rationing system was necessary. Only Leon Henderson and his crowd and the Political Action Committee of the CIO advocated this program. There has been no change in conditions except the conditions of political strategy.

From a Republican political standpoint it might be better for the Congress to give the President the power which he demands. It could only result in failure and a revolt of public opinion against any man who is trying to enforce the law. I have had Republicans say to me that we should swallow our prejudices and pass these measures for political advantage so that chaos and confusion will redound to our advantage in November 1948.

Scores Government Planners

But it seems to me that the issue is far deeper than any political issue. We stand at the crossroads today between a free America and a planned economy. This is the last stand of the planners who think they know how to run the people's affairs better than the people can know themselves.

If this effort succeeds in time of peace there will never be a time when an emergency cannot be summoned up to justify the continuation of these powers. It was only a month ago that the President himself said that consumer rationing and price controls were police state methods. That is the issue today, not only in America but throughout the world. This country is the great bulwark of a free life, and from that freedom has developed the greatest and most productive country in the world and the country where the people are better off than any other country in the world. Shall we abandon that philosophy for the police state methods which have brought the rest of the world as seekers for charity at our door?

Gillespie of General Baking Addresses Business Frat.

Mr. Thomas V. Gillespie, Vice-President of Brooklyn Chapter National Association of Cost Accountants and Treasurer of The General Baking Co. on Monday evening, last, addressed the Alpha Kappa Psi, National Business Fraternity of St. Johns University School of Commerce at a meeting which was held at 96 Schermerhorn Street, Brooklyn.

Mr. Gillespie, who is a Certified Public Accountant and a member of the New York State Society of Certified Public Accountants, spoke on the subject of "Your Future in Accounting and Commerce."

The meeting was attended by a large number of St. Johns University students.

Channer Securities Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—William P. Erickson, Jr., has become connected with Channer Securities Company, 39 South La Salle Street.

With Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Herbert L. Crosby has become affiliated with Merrill Lynch, Pierce, Fenner & Beane, Board of Trade Building.

Securities Salesman's Corner

By JOHN DUTTON

Sell Your Ability As An Investment Advisor

If you wish to build a healthy securities clientele of active retail accounts—sell **your ability** as an investment advisor. If you have to "hem" and "haw" every time you offer a suggestion to the majority of your clients; if you are met with evasions, excuses and suggestions that someone's outside advice is going to be asked before a decision is made; then there is a serious defect in your sales technique.

Now, before you begin to check your own experience and say to yourself: that's me, all right—possibly we had better make it plain that we honestly believe that most securities salesmen are faced with this same problem. So don't feel so badly about it—in our experience the greatest problem we have ever found in building a retail clientele is the reluctance of the average security buyer to pick out a good investment advisor and to stick to him. They jump around like Mexican jumping beans, first with one house, then another, or they subscribe to a service, or they go off on a treasure hunt of their own—most investors do not have a plan or a program of investment. It's the salesman's job to convince his customers that he can give them a plan and a program.

Here's where the selling end of the securities business presents its biggest problem. If you can develop a selling technique that will convince investors that you should be their investment advisor ON ALL OF THEIR INVESTMENT AFFAIRS you've acquired all that you need for success in this business.

We have discussed this problem of convincing the average investor that he should pick out a good securities man and stick to him, with a number of experienced salesmen—here are a few of their ideas on how to go about this most important selling task:

(1) First convince yourself that you know MORE about investment procedure than the people you are calling upon—and if you know this business as you should, this is certainly a truth.

(2) Remember that you are not selling a security—you have nothing to sell but a service. Your job is to help others do a better job of investment than they could do without your help.

(3) Stress your desire to analyze and plan a definite investment program. Show your client that you must know what he wants to do before you can help him. Insist upon his confidence, and unless you can get it, tell him frankly that you won't be able to help him. Show him that the trouble with practically everyone who has made more investment mistakes than they should, has been because they followed a hit-or-miss pattern of investment. Stick to your guns here.

(4) Be ready to spend sufficient time in making calls. For this reason try to determine on the first call if an account is worth while following up. If not, drop it. Select accounts with whom you believe you can get along. Gain their confidence, and after you reach this goal you will then have an account large enough to pay you for your efforts.

(5) Develop certain selling ideas that convey a clear-cut message along these lines: "No matter how much experience and ability an investor may have when it comes to handling his investments, he has other important tasks to take care of as well. On the other hand, you are devoting from eight to 10 hours a day to the exclusive work of studying and managing investments." Or something like this is effective: "I WANT YOU TO MAKE MONEY, MR. INVESTOR, BECAUSE I AM SELFISH. When you make money on the securities you purchase from me you will buy other investments that I recommend to you. THE ONLY TIME I CAN MAKE MONEY IS WHEN I SELL YOU SOMETHING. That's why it's important to me that you should profit and benefit from the advice and suggestions that I give to you."

(6) Keep on driving for your objective—to win never wilt—don't give up—this type of clientele is the most difficult to build but once you have it—you've got something.

A. G. Edwards & Sons Open New Branches

A. G. Edwards & Sons, members New York Stock Exchange, announce the opening of new offices at Houston, Texas, and Clayton, Missouri.

The Houston office, located in the Bankers Mortgage Building, will be under the direction of Nathaniel Ware and William Perlman. The Clayton office, at 8015 Forsythe, will be under the supervision of Warren Finley McElroy, Jr., resident partner.

J. Lewis Henry Partner In Carstairs & Co.

PHILADELPHIA, PA. — J. Lewis Henry on Dec. 1 will become a partner in Carstairs & Co., 1421 Chestnut Street, members of the New York and Philadelphia Stock Exchanges. Mr. Henry was formerly an officer of E. M. Fitch & Co. In the past he conducted his own investment business in Philadelphia.

Bailey, Selland & Davidson Is Formed

SAN FRANCISCO, CALIF.—H. Hodge Davidson has acquired membership in the San Francisco

H. Hodge Davidson

Stock Exchange and has become a partner in Bailey & Selland, investment firm with main offices in Fresno and branches in Merced and San Jose. The name of the firm is being changed to Bailey, Selland & Davidson, and a new branch office in the San Francisco Stock Exchange Building will be opened shortly.

Mr. Davidson was formerly manager of the trading department in the San Francisco office of Merrill Lynch, Pierce, Fenner & Beane.

IBA Municipal Group To Hear At Convention

The Municipal Securities Committee of the Investment Bankers Association of America will hold an open meeting on Sunday, Nov. 30, at 3:00 p.m., at the Hollywood Beach Hotel, Hollywood, Fla. All attending the IBA Convention are invited.

David Ellinwood of Moody's Investors Service will talk on pertinent phases in rating municipal bonds, and Roald Morton of the Blue List Publishing Company will discuss certain features of the Blue List.

With Bond, Inc.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN. — Patrick H. Flaherty has been added to the staff of Bond, Inc., 49 Pearl Street.

With W. H. Heagerty Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, FLA. — Francis C. Barrios has been addd to the staff of W. H. Heagerty & Co., Florida Theater Building.

The Real Friends of Monopoly

"This tendency (among businessmen) to eliminate competition is wholly inconsistent with our professed basic philosophy. If we don't awaken to the dangers of this tendency we may find in due course that our competitive capitalistic economy has been in fact replaced by a system of government control of most of the important aspects of business activity.

Wendell Berge

"Politically such control would become inevitable if competition should be increasingly eliminated from economic life. The absence of competition means monopoly, and the American people would not long stand for private monopoly. As it became apparent that different industries, one by one, were succumbing to monopoly control, the political demand for public regulation would increase.

"In time we would probably find most industries strictly regulated, if not owned and controlled, by the government. This state of affairs we certainly do not want."—Wendell Berge.

We should be the last to defend monopoly anywhere.

But can it be that Mr. Berge, a former Assistant Attorney General, is not aware that the real dangers and the real fruits of monopoly today come not from businessmen but from the labor unions, which proclaim from the house tops their opposition to any policy or practice which pits man against man?

Stop! Look! Listen! Before Adopting Relief Program

(Continued from page 6)

on earth, alive on their wedding day—only an instant ago as time passes in history—would have dreamed for a minute that the great England of only 50 years ago, the greatest of the great powers of all time, the power that could afford to do anything, would be the England of today that can afford to do so little?

Older people among us may not live another 50 years, and for the most part they are the ones who make the nation's policies. But how about we who are younger, and our children? What is going to happen to America in our married lifetime and in theirs?

Our leaders must decide what our country can do in Europe and what it cannot do. They must analyze our actions in terms of our powers, not our desires. They must decide we cannot do everything.

There are a hundred places to start and no place to stop.

Look at the Cost

As a prudent people, we should look back and see what has already been spent—some $20 billion since the war. We should call for a review and an accounting to help avoid the same blunders over and over again. In 1945, you will remember that our country was told that the world's economic problems would be solved by an International Bank and an International Fund costing America $6 billion.

We were told that if this were done, loans to Great Britain would not be necessary. It was done; and what happened? In spite of such assurances, we were soon confronted by new insistences for a stop-gap loan of $4 billion to Great Britain. Once more, great and widely publicized testimony was presented to convince us that this could and would save the world, but surely.

I hardly need to remind this audience what has happened to the British loan. It has gone down the drain. Has England been saved? Has the world been saved?

Apparently not, otherwise what are we talking about?

Other items intrude themselves into our recollections. Three billion 500 million dollars was furnished to the Export-Import Bank.

Three million more American dollars were drained into the darkness and confusion of UNRRA and I might add—via UNRRA into the darkness and confusion of the Soviet Union and Russia's puppet states.

Now, no one honestly attempting to give a picture of Europe today could say that these funds were entirely wasted or that they were entirely unnecessary. Certainly, I would not say that.

But, this I do say, my friends, and it's a point I would like to make tonight. These vast funds were agreed to by the American people through Congress because of high pressure propaganda without proper consideration, they were unsuited to their purposes, the proper limitations were not applied, the amounts were excessive, the proper administration was not required and a large part of the money was wasted.

What Is "Stop-Gap"?

Now, we are in it again. This time it is called "stop-gap aid." It is not "stop-gap aid"—that is a misnomer — another slogan which confuses the simple truth. If this is stop-gap aid, what was the $20 billion that went before? If that wasn't a gap, this isn't a gap and, if the $20 billion didn't stop the gap—what makes us think this gap is going to be stopped? And when does a gap stop being a gap and start being a permanent proposition?

No, my friends, we are still caught in the clutch of a spending philosophy—that spending of itself is a good thing just so long as the people are taxed enough to pay it back. This is small consolation to the American workingman or enterprise. It's like the wife saying to her hard-pressed husband when he comes home tired at night from work, that it doesn't make any difference how much she spends as long as she doesn't spend more than he earns.

Now, in France and England, in spite of a question in our own minds over here, I found an added mystery, and that was the complacency there about our prospective aid. There is a sort of feeling that they are going to end up getting it anyway, a sort of "Oh, you Americans will talk awhile, and may be complain, but in the end you'll deliver" attitude. And, again, our own government is responsible for that frame of mind.

Appalling as it may seem and mysterious as it is to any businessman throughout the war, European leaders were told by Washington "brain-trusters" that America faced a great depression immediately after the war. How on earth they could have come to that conclusion, with 142,000,000 Americans here needing everything, I simply don't know. It was one of the most amazing governmental miscalculations on record, and that's saying a great deal. There have certainly been some "whoppers" and that was one of them.

Nevertheless, the same dose of this kind of thinking that was needled into us here—10,000,000 unemployed 60 days after peace, and so forth, as you recall—was communicated to government leaders in England and France and everywhere abroad. It was drummed into European heads that our country faced a calamity unless we shipped abroad, after the war, nearly as much goods as we shipped by lend-lease during the war, even if we had to give it away, and it is that philosophy which is at the bottom of the willingness on the part of many of our administrators to get into this question of this vast, new $20 billion grant to Europe.

The Kremlin must be laughing at us if we think we are fighting Communism the way we are fighting it over there today.

Propaganda rules the roost over there, as it does here, and that is a great tragedy. We ordinary people don't know what to think about Europe any more and, my friends, that is what you find among Europeans, too, about America.

Human nature being what it is, I don't think we should blame European politicians too much for asking us for so much. It is a lot to expect of European politicians or any other people in political life to ask for less when they think they can get more.

Whatever their needs may be, and some are very real, European politicians are, nevertheless, consistently and systematically overstating to us their countries' requirements.

I think we have to approach aid to Europe—which so affects us all here at home—with that understanding. We must realize at the same time the immense administrative snafu represented by the National Socialist experiments in England and France, especially as it affects fuel, because fuel, of course, is the prime problem in Europe which, if unsolved, refuses to permit any solution of their economic future just as it is our prime interest here tonight.

The coal problem in England is, of course, at the root of the British recovery, as everyone knows. Until that is solved, and they are certainly making no progress in solving it today under this Administration in England, there can be no favorable balance of exports from the British Isles.

On the continent of Europe, interestingly enough, this labor-socialist government in England snafu has carried into the heart of the problem on the continent the same problem, namely, coal from the Ruhr. You find the British Administration mishandling the coal production in the Ruhr as dreadfully and as sadly in terms of human values involved as in England itself. This has been glossed over on the grounds—very natural in the minds of us at home—that these properties are the victims of war damage.

What has happened is the same thing that always happens when bureaucracy gets in the saddle.

Socialism doesn't produce, in England or in the Ruhr, and that is primarily what the people of Europe—and now the people of America—are paying for.

For example, a month ago I was in the Ruhr, and I went down in 30 mines.

Now, I received very much appreciated official cooperation from the American and British administrators, and I have the figures on the Ruhr coal production, with which I won't tax you, but I'd like to go a little further in respect to the question of how much the war had to do with it and how much is due to management.

The last time I was in the Ruhr was when I went in there with the American First Army as a war correspondent for Scripps-Howard. I went to Aachen and Duren and Cologne when we took those towns with our troops.

Now, as you may know, Hitler had taken out of the coal mines of the Ruhr about 30% of the traditional miners employed and put them in the army.

That difference was made up by slave labor and displaced personnel and yet, even under those conditions, up until the last two years of the war, they were getting a daily production of 750,000 tons. Then they got that thing knocked down to the point where it was coming out at about 400,000 tons at the beginning of the last two years of the war.

It rocked along steadily at that level. The charts are very complete, and the figures are very complete, because 85% of all the coal mines in the Ruhr were owned by the cartels. They were owned by either the steel interests or the power interests or the chemical interests, and the records couldn't be destroyed because they showed up in other places, in Frankfurt or in Berlin, in the offices of the parent concerns.

They didn't make much of an attempt to destroy the records, anyway, so there we had a pretty good picture of what the mines were producing.

We got into the Ruhr in March of 1945 and, within three weeks the Ruhr production—which had fallen on the event of capture because most of the superintendents and others, who were Nazis, ran away—down to 100,000 tons was backed up to 400,000 tons, in the fifth week of occupation.

Now it stayed at 400,000 tons—I am trying to prove that this is not a war problem—all that year of 1945, until the middle of November, 1945.

The Socialist Ruin to Coal Production

The present Ruhr problem, which is the present industrial recovery problem in Europe, does not date from the war, and it doesn't even date from the peace.

It dates from the middle of November, 1945, long after VE Day. At that time the British imported from London the tremendous socialistic experiment into the Ruhr that they had begun to initiate in the mines of England, plus a lot of new propositions—on a "try-it-on-the-dog" basis in the Ruhr—which they were getting ready to introduce in England, depending on how it worked out in Germany.

Production fell from the 15th of November, 1945, to the first of December, 1945, by 200,000 tons. They knocked it right on the head.

They knocked it down from 400,000 tons to 200,000 tons and it has stayed there ever since. Every now and then they get it jacked up to 240,000 tons and then print in the newspapers that they have broken all records. What they have done is break the record since they broke the back of production in the Ruhr in the middle of November, 1945, and that is where the management comes in.

Now, when we are told about what we should do to help Europe recover, why are we so kittenish about what other people will have to do about putting their own houses in order? Those problems are not controllable by the importation of coal from the United States. They are controllable only at the political level in Great Britain and in France.

We should have sense enough to admit that we cannot change the governments in Great Britain and in France, and to that degree, of course, we are limited in how we will succeed with any recovery that we promote. Therefore, we must take a second look at our hand to see how far we should go with it at all.

Now, again, in Greece, I went to see the Minister of Health, and he told me that the people were down to 1,800 calories a day in respect to food.

I was in Greece with Mr. Dwight Griswold, who is an old friend of mine, and anybody from Nebraska knows him—a very level-headed and sensible fellow. He was trying to find out where the starvation was in Greece, because we couldn't find it. We had been all over Greece and we got up in a little Army plane one day with bucket seats and flew 400 miles up to Salonika, where we heard it was so rugged. The Governor-General of Macedonia came out to meet Mr. Griswold and myself at the airport in a 1946 robin's-egg blue Buick.

I said, "Well, Dwight, there is one thing I learned while kicking around in the war: When the brass arrives in a sedan, you're safe." I said, "There may be guerrillas up here, but they're not shooting, or the Governor-General of Macedonia wouldn't be out here like that in that target he is riding around in."

We were to have lunch with the Governor-General of Macedonia; we ended up by taking him to lunch at the American Consul's. We said to the Governor-General, "We were told in Athens—when we tried to find out where things were so bad in Greece—that they were bad up north here. Now we are up north and things look pretty good."

We said, "Salonika is going along. Everybody seems to be doing their daily business. The harbor is full of little ships. They are getting things cleared up around there pretty well. Where is all the trouble?"

"Well," said the Governor-General, "things aren't bad here. As a matter of fact, they are very good."

We said, "Well, that's too bad; we must have been misinformed down in Athens. Where are conditions bad?"

He said, "Up north."

Looking for the Trouble

Well, we were beginning to run out of territory in Greece by then. They had only about 50 miles more to go to the border at that place, but just to be sure, I went from the border of Albania on the left, along the border of Albania, along the border of Bulgaria, and clear out to the border of Turkey, for a total of 600 miles, and Greece—which is a poor country—is, in my humble opinion, in very good shape. I question whether anybody could say that Greece was in very good shape and not then be considered a fool or a liar in America today, and yet I am bound to believe my own eyes.

They have certain very definite and awful scarcities, such as milk for children, but, by and large, the Greeks are getting along all right.

They have the biggest olive crop they had since 1938, which is very important. They have the

biggest tobacco crop they have had in any time ever recorded in Greece, and their great worry is that the Americans will buy more of the Greek tobacco and less of the Turkish tobacco than they are buying because, otherwise, the price will get down to about 50% of what it was before the war. I heard the head of the buyers' association put that to Dwight Griswold as the main problem of northern Greece.

Military Situation Bad

So the fighting, on the other hand, and the skill of the guerrillas and their tenacity under Tito, has been understated. This is all on the point of misinformation from abroad. We really have a better human situation and a worse military situation in Greece than we were told.

Accordingly, the $300,000,000 that was granted by the Congress of the United States—thinking they were going to contain communism by dollars, and that we were going to do a humane job in feeding the Greeks—is now under cover in Greece, and if this be news, I don't care whether it is quoted or not, because it is true.

I notice in today's paper that Greece's government is getting ready to ask for more. Greece's needs are being switched from humanitarian goods—which were grossly overstated by the Greek Government—into military goods which were grossly understated by the Greek Army.

What we are really doing is finding ourselves not in the middle of a humanitarian, human, uplifting job in Greece, to contain communism, but right smack in the middle of a Balkan war, and I think we ought to be told those things by our own government.

But to get back to the food there. The Minister of Health said, "Now we are down to 1,800 calories." That was the figure they were operating on in Washington, to "help the poor Greeks."

I asked him—as I think anybody in this room would ask—"Your Excellency, how do you get this figure of 1,800 calories?"

"Well," the man said, "we took the food production and then we took the population, plus the imports, and we arrived at the 1,800 calories."

Well, my friends, they haven't had a census in Greece for over 20 years. The Greek Government has no more idea of how many people live in Greece than you or I have—which I think is very remote.

They have had influxes of Armenians and exfluxes of other people for 20 years, and they just don't know how many people there are there, but he was willing to say that they took the population, as they conceived it, and used that as a basis.

Now, naturally, the last thing in the world that the Greek farmer would do would be to tell the government agent how much food he grew because he knew it would be either taxed or confiscated.

Statistics Pulled Out of Air

So there the whole thing is arrived at, and we received these statistics in our country, and we base national policy on them—on two basic figures, both of which are just pulled out of the air.

Food is quite a separate subject, but the supplies of anything —fuel or whatever it may be— must be made up in our country. The difference between these statistics and what they can produce should be given a complete second look by competent men who understand production and will report to our country in terms of true needs. I do not think we should accept the reports of people who are going over there and looking at these countries from a dozen different angles about which they know little or nothing. With that problem we have social values and humanitarian things and military questions all jumbled into one.

When I speak of Europeans, I refer to the governments, and not to the people. The people are not told by their governments what we are doing and our aid, whenever we give it, is tucked into a tunnel of local politicians and reaches the people largely in the dark. This has been a mysterious and persistent blunder in all our aid to Europe.

Faulty Distribution

The real trouble with our aid program, my friends, is that we are fooling ourselves about what happens to our substance after it gets overseas.

Regardless of what we do, the delivery end needs vigorous and intelligent correction, and at once, or we should not spend another penny. That's how bad it is over there.

The incompetency of our program is simply appalling. With world conditions as they are, America cannot afford to be incompetent on such a scale today. We have the competence to do what we should do, whatever that may be. We simply do not use it.

The Russions give France a little wheat—much less than they promised—and get more credit for it than we get for $2 billion worth of materials we have shipped France since the end of the war. Thus it goes.

The simple fact is that for their own internal political purposes, political leaders actually hide where this aid is coming from, and we let them get away with it, year after year.

It works in approximately this fashion: You say to the Ambassador of a country in Europe, "What is going to happen to all this material and these things after they get over there?" He says, "Oh, my goodness, I have nothing to do with that. I'm in the State Department, I'm a diplomat, and I'm having all the troubles I can think about now, without having a lot of reconstruction problems." Of course, the commercial attache can't handle it, either. He is making reports.

So you say, "Well, have you had any consultations with the cabinet of this government about what they are going to do to improve American relations and to contain Communism by having the people of this nation know that it is the American people and the American free enterprise system that is coming to their aid?" Then, he says, "Oh, I think that is a lot to expect. You see, they have to look out for their own political problems. They have their own votes to get, and if they emphasize to the people that America is helping them, it will make it appear as though they, themselves, are that much less valuable in running the country, so we really can't expect them to give us much aid along the lines of explaining to the people where the help comes from.

"Also, they have a Russian problem. If they emphasize to the people that they are getting the aid from us, it may damage their Russian relationships; for that additional reason they wouldn't be able to thank us publicly."

Well, sooner or later, after you have heard that enough, you begin to wonder—not where the local politicians in Europe are going to come off with American aid, but what we are going to get out of this thing.

Getting Recognition for Our Help

Therefore, it would seem to me that at some place down the line our own representatives abroad— on the instructions of the President of the United States or the Secretary of State or somebody— should be walking into the cabinet member's office in Europe and saying, "Now look here, my friend, for many years we have been understanding why it is that you can't thank us for what we do on Tuesday, after you have been telling us that if we don't do it on Monday the whole place is going to collapse. But I want to tell you that we've got some very serious shortages in our own country as well as a debt of $260,000,000,000 and those shortages, such as steel, are hurting our employment and dislocating our entire economy, and the taxes of the country are enormous, and the rest of the problem in America is very difficult.

"So, when we ship these billions of dollars to your various departments in your government here, and encounter this unfortunate obstacle that you can't tell anybody where you got them from, or that therefore you can't fulfill the hope that we had that it would make your people more friendly to us than to Soviet Russia, we have reached the point where at long last we will have to tell you that if your are so kittenish about thanking America for the aid you get, with shortages being what they are, we will have to reserve and send our aid to those people who can thank America for what they give."

Now, when it comes to other elements of American aid beyond food, they are in a totally different classification. For when we say that in the third year after the war Europe can still look to us for free pump priming, and that we will underwrite European recovery from afar, except in limited classifications we either do not understand Europe and the problems of sustained prosperity over there, or else we are fooling ourselves in a most dangerous way, like the Europeans are fooling themselves by working on a five-day week.

After all, you know, there is something wrong with the way we aid Europe, or the vast aid we have already given would have helped Europe more than it has, and if we don't watch out, the new billions will simply be used up again, and leave us right back where we started.

That is not world aid, and that is not containing Russia, or Cummunism. It is simply taking one jump into the dark and looking around and then taking another.

Get "Off the Cuff"

We should not now begin to meet new, gigantic additional requests from abroad and ship free —"on the cuff" — $920,000,000 worth of coal and mining machines, $500,000,000 worth of electrical equipment, $400,000,000 worth of steel plants and freight cars—who in this room doesn't know that our own grain is sitting in the field in the West, and that our coal faces a terrific problem for delivery to our industries in our own shortage of freight cars —to the tune of $490,000,000, $1,200,000,000 worth of steel and iron—while the home shortage is as severe as any other bottleneck of the domestic economy, and no posted businessman in America that I know of can tell anybody in this room how we are going to get enough steel to make the things we need, to balance our shortages and therefore to fight inflation and provide goods needed badly at home.

Request Aided Under-Estimated

The cost of additional foreign aid is frequently described to us as 2 or 3% of our average national production. This, I am sorry to say, is a misleading presentation of the facts. It draws our attention away from the shortages involved. By relying on an average of the national production it omits the fact that there are great differences in the depths of shortages. Is the demand for steel 2 or 3% of our national production? Oh, no, my friends.

Is the demand for freight car —$490,000,000 worth of freight cars—2 or 3% of our production? No, it is 55% of our production.

The demand for wheat is 30% of our annual production.

What is that 2 or 3% anyway? It reminds me of the story of the man who was drowned crossing a stream that averaged 2 feet deep.

Sooner or later we must figure the cost in terms of the basic stability of our own economy here at home.

We American people are already contributing to post-war relief abroad at the rate of $376 per family. Under present official proposals for increased relief abroad the U. S. family bill would be built up to $862 per American family by 1951.

The latest proposed aid to Europe means $8 billion of taxes in 1948 on all of us over and above what we would otherwise pay.

Some say that if a billion dollars of the aid is handled by the International Bank, the taxes may only be $7 billion more than otherwise. I call your attention to that word—only $7 billion more.

Nobody knows what one billion dollars is—at least I don't; can't count it—can't really visualize it. That's the trouble with these billion dollars figures, they just don't register on people.

But, as to $8 billion in taxes due to this proposed aid, $8 billion if two-fifths of the total sum paid in personal income taxes by the American people. Why, it's almost as much as the entire income taxes paid by all American corporations; recognizable by you gentlemen, I assume, as a tidy sum.

The Impact on Taxation

You know and I know that the tax rate is already a dangerous feature of our economy. Our country is being taxed now by local, state and Federal governments at the rate of a billion dollars a week—$52 billion in taxes collected last year. Taxes now cost about 30% of the national income and if there's anything more dangerous than that—I don't know what it is.

All we have to do is to keep taxes at this rate long enough spend enough and tax enough and we will go into socialism through the back door—through the tax system.

We say that this is a fight against inflation. Yet, it is not explained that nothing could be more inflationary than vast exports paid for out of the public purse, not repaid, and striking us square in our shortages.

Besides, we are exporting now at the rate of $19 billion a year. Our balancing imports run only about $8 billion. Furthermore, we are gearing our production to this rate of exports as these high prices —the inflation in farm prices and farm lands being terrific and the build-up on the inflation side of our domestic economy being immense in many classifications.

We know these, or we should know, that these exports are abnormal. They will not be continued indefinitely and there, my friends, right there, our own town criers about the "boom and bust" philosophy are within their own export spending philosophy and their actions creating the worst fundamental of all in respect to "boom and bust."

The whole business leaves me, for one, my friends, with a sense of stupefaction. We have been on so many rides like this before.

There is a limit to the number of failures Americans can absorb.

At some point our statesmen failed again, or we should have been so strong on land, on sea and in the air that there could have been no war.

And now they fail again, if they do not see that the future peace of the world depends on the internal strength of the United States, and if they squander that strength so that we have no strength, when the chips are down.

New Orleans Junior Bankers and Brokers Association Formed

NEW ORLEANS, LA.—On Nov. 7, 1947, a group of 16 young men representing various investment banking and brokerage firms in New Orleans formed an organization to be known as the Junior Brokers and Bankers Association. This Association was formed to further the education of young men in the banking and brokerage business in New Orleans.

James F. McKillips, Jr., of the Charles E. Corrigan, Jr. firm, through whose efforts the association was formed was elected President of the new organization.

The other officers are Pierre R. Dupont of Merrill Lynch, Pierce, Fenner & Beane, Vice-President; George B. Riviere of Howard, Labouisse, Friedrichs & Co., Secretary; and Thomas Holmes of Weil & Co., Treasurer.

Membership in the association is open to all men who have been in the investment banking and brokerage business less than five years.

Meetings are to be held weekly to hear a talk by specialists on the various topics relating to the brokerage and banking business.

The association is similar to those formed in New York, Boston, Chicago, Baltimore, and Toronto.

Lee Higginson Offers Speer Carbon Common

An underwriting group headed by Lee Higginson Corp. on Nov. 18, offered 80,000 shares of no par value common stock of Speer Carbon Co. at $14 per share. The company manufactures and sells both carbon and graphite products.

Of the stock being offered 33,766 shares represent stock authorized but heretofore unissued and now being sold by the company, and 46,234 represent issued and outstanding shares being sold by a stockholder.

Proceeds from the sale of the 33,766 shares being sold by the company are expected to be used to finance in part the purchase for $500,000 of a plant at Punxsutawney, Pa., now leased by the company. Additional money necessary will be supplied from the general funds of the company. The company will receive no part of the proceeds from the 46,234 shares being sold for a stockholder.

After completion of the present financing the outstanding capitalization of the company will consist of 4,565 shares of 7% cumulative preferred stock, $100 par value, and 260,966 shares of no par value common stock which has stated value of $2.50 per share. Neither the company nor its subsidiaries has any funded debt.

For the eight months ended Aug. 31, 1947 the company and its domestic subsidiary report consolidated net income of $369,031 which compared with $213,739 for the calendar year 1946.

Schrader Representing Fusz-Schmelzle in Belleville

BELLEVILLE, ILL.—Leslie V. W. Schrader is representing Fusz-Schmelzle & Co., members of the St. Louis Stock Exchange, from offices in the Advocate Building.

Wilhelm & Co. Resumes

WASHINGTON, D. C.—Edmund Wilhelm will again engage in the securities business from offices at 2745 Twenty-ninth Street, N. W., under the firm name of Wilhelm & Co. He was formerly in business in Washington under the same firm name.

Production and Prices

(Continued from page 3)

been labeled by their authors, in an equally unscientific manner, as Liberal, or Progressive, or Forward-Looking.

Because so many of these people have penetrated our Federal government and have exercised such a marked influence there, the character of our government has likewise been deeply corrupted. Our government has been led from a search for the objective principles of science to the adoption of attitudes, slogans, cliches; to the adjustment of policies to please large pressure groups; to what has been practically, a complete acceptance of the view that what is desirable is that which the party in power decides upon and chooses by dictation to attempt to enforce.

A reasonably typical illustration of this situation is provided by the drafting and enforcement of the provisions of the Renegotiation Act of 1943 which provided for the renegotiation of war contracts in order to allow the industries participating in the production of war supplies under government contract what was supposed to be a fair margin of profit.

Case of Renegotiation Act of 1943

When the Renegotiation Act of 1943 was under consideration by Congress it was concluded by the legislators that there were no known principles of fairness that could be prescribed. Congress therefore simply left the standard of fairness undefined and placed the matter of determination of proper margin of profits in the hands of the War Contracts Price Adjustment Board. This Board, in turn, concluded that there was no objective standard of fairness that could be applied and, therefore, reached a wide variety of conclusions as to the profit margins that it would allow after going down a list of considerations which it professed to weigh but which it weighed in secret in so far as the businesses being renegotiated and the interested public were concerned. This Board was prosecuting attorney, judge, jury, and Lord High Executioner. An economist for this Board even wrote an article in which his major contention was that there was no basic economic principle to guide the Board in determining what should be regarded as a fair margin of profit for these industries, producing materials for war.

The Renegotiation Act allowed the renegotiated industry, whose officers believed it had received unfair treatment, to appeal to the Tax Court of the United States; and here again the question arises as to what objective principle of fairness was, and is, at the disposal of this Court. Now, there either is or there is not such a principle. If it is provided, it must come from the science of Economics.

Congress did not know in this case what it was, and said so. The Board did not know what it was and said so, and its economist insisted that none could be stated. (The principles employed by the Tax Court will not be examined here.)

The significant point to notice is that this War Contracts Price Adjustment Board reached decisions as to what should be allowed as a fair margin of profit to the renegotiated war industries without having, or being able to state, any objective standard of fairness. The range of profit margins allowed by this Federal Board was wide indeed; the margins depended solely upon the **will** of the Board. This is an example of government by caprice.

This procedure of allowing returns to producers to be determined by a government agency which acts solely upon the authority of its **will** or **power** is a matter of serious moment for the people of this country. The important point is that what the War Contracts Price Adjustment Board did, most, if not all, government agencies did and are still doing in high degree. It has been characteristic of the practices of our Federal government in recent years. It reflected the type of thinking that has characterized the so-called Economics of our Keynesian-Socialist-managed economy economists who penetrated and influenced the Federal government in so many ways. Government by **will** and **caprice** is a dangerous undertaking for any nation at any time.

Now the simple facts of the matter are that there are objective principles yielded by the science of Economics which would have provided the proper answers to this problem of war contracts. These principles are derived from the operation of the forces of free and fair competition in times of peace. Stated in the simplest terms, excessive profits are those that are above the average rate of profits (computed as a rate of sales), on a competitive basis, of an industry (or of similar industries) during the period preceding its (or their) entrance into war production. From this basic principle flows a series of related or subsidiary principles applicable to all varieties of war industries regardless of whether they had a peace-time history as to profits under conditions of free and fair competition.

Government by Caprice

The pronounced tendency of our government in recent years to rule our people by caprice and of economists to depart from the objective standards yielded by the operation of the forces of free and fair competition has been, and is, of paramount importance to the people of this nation. It reveals much regarding the general nature of our Federal government, much regarding its relation to production, prices, profits, exchange, distribution, and consumption, and much regarding what is happening, and may happen, in these fields of human activity.

In March, 1946, Associate Justice Edward S. Dore of the Appellate Division of the New York Supreme Court, in an address on "Human Rights And The Law" before the Association of the Bar of the City of New York, made some observations on these developments in this country which reveal them for precisely what they are.

After pointing out that the makers of our Constitution never intended arbitrary power to exist in any department of our government he continued: "In one of Juvenal's satires we see a wife commanding her Roman husband to crucify a slave for no reason. When he asks why he should do so, she answers in a sentence that has become the classical expression of law as will: *'Hoc volo; sic jubeo; sit pro ratione voluntas'* ('This I will; thus I order; let my **will be** in place of reason'). What a depth of revealing meaning is packed into that little clause *sit pro ratione voluntas!* Those four words perfectly express any idea of law not based on reason but on will or force. And that, it must be admitted, is the dominant characteristic of modern ideas of law. . . .

"In essence all such dogma [as the popular pragmatic test] denies law as reason and extols it as will. Now if law is based ultimately on general will instead of reason, there never can be an unjust law if the lawgiver has the power, *i.e.*, the physical force to carry out his will. This is equally true whether the lawgiver is an individual tyrant, a group or a majority. If there be no standard of right and wrong binding alike on ruler and ruled, and no limitation on the power of the State itself over this community, law ultimately becomes mere number or physical force. That is the teaching of modern pragmatism. That is the practice of modern tyranny."

Said Justice Dore still further: "With justice gone, states are what St. Augustine called them, 'great bands of robbers'."

Another of his observations is singularly pertinent and important to us all in the situation in which we have found ourselves in recent years. It is this: "A French philosopher has said that a nation must from time to time refresh itself in the well-springs of its origins or it will perish."

An attempt in that direction is at bottom the reason why leading and concerned citizens are sending Freedom Train across this country.

We do indeed need to refresh ourselves in the well-springs of our origin if we are not to be engulfed in the present widespread swing toward Socialism, Communism, and governmentally-managed economy—which means away from the objective standards of what is good and bad for a people and into that retrogressive course in which a few government officials presume to tell the people what they may or shall produce and consume and what the prices for their goods and services may or shall be.

Operation of Free and Fair Competition

Part of the natural law to which Justice Dore referred is that obtained by the operation of the forces of free and fair competition. In economics, let it be emphasized, there is no objective standard of fairness of prices and hence of profits except where prices and profits are determined under conditions of free and fair competition. Prices and profits under these conditions are regarded as natural or objective in the sense that they are not controlled by the act of any individual buyer or seller or by the direction of any regulating authority. They are the result of free and fair competition of all buyers and sellers in the market place. They are the result of that society's judgment; and there is no other better, no other objective, standard in so far as that society is concerned.

The element of fairness in competition means that the rules of the game as in all forms of rivalry, have been defined, accepted, and followed with general approval. These rules may be the result of the gradual evolution of standards which meet social approval, or of formal law. But where law lays down standards of fairness, these are presumably for the purpose of making competition work more smoothly, and they are presumably the results of social approval and applicable with equality to all. Examples are the sheltering of children from competition with adults, rules for horse racing and athletic contests, regulation of monopolistic practices and of what is deemed to be unfair methods of competition, repression of predatory activities of people, and so on.

When there are departures from practices that give us our prices under conditions of free and fair competition, the extent and nature of these departures should be measured against what it is supposed would be the situation if free and fair competition were operating. Basically, the regulation of public utilities, if properly conceived, is designed to provide prices and profits of a kind and degree that it is supposed would prevail if free and fair competition were operating. The standards used are the prices and profits in similar or related fields where competition in prices and profits and losses prevails. The standards for the regulation of other types of monopolies are implicity the same. When the proper concept of these matters is employed, the general effort is to obtain the conditions which free and fair competition produce. This is because it is understood that the greatest social good is obtained under these conditions—that is, under conditions of free and fair competition and under regulations of other methods of procedure which are designed to bring them into line with what competitive conditions tend to produce.

Departure from this standard cuts one loose from any objective standard. Under free and fair competition all buyers and sellers pit their judgments and preference against one another, and the results are what all buyers and sellers have produced. Objective standards in the economic world have no other meaning.

A departure from an objective standard such as that provided under conditions of free and fair competition in respect to prices and profits, launches one upon a type of appraisal of values that are personal or subjective and therefore, arbitrary, in nature. No person need accept another's subjective standard as "right" or objective. The science of economics becomes useless.

Individuals cannot argue effectively about the rightness of prices or profits or losses that result from free and fair competition. The farmer's subjective value of his wheat may be above that indicated in the competitive market with the result that he may decide not to sell. But his withholding will not alter the market price. Neither he nor anyone else can appropriately say that the market price at that time is not the correct price. It is the proper price for the reason that that price reveals what all sellers and buyers of wheat say its market value is. It is what that society at that time says the market value shall be; and such a value is objective in nature.

We have an endless number of departures from the objective standards fixed by free and fair competition. We have monopolistic powers in some degree on the part of many buyers and sellers. In time of war, the Federal government puts itself in the position of a powerful monopolist, chiefly as a buyer. As a monopolistic buyer it can fix the conditions under which it will buy. And since this monopolist is also our Federal government, there is no superior authority to act as a neutral regulator as between the helpless sellers and the monopolistic buyer in an effort to see to it that prices and profits are fixed at a level that would tend to prevail under conditions of competition.

Being a self-regulating monopolist, the government, like any unregulated monopolist, is free to do whatever it pleases. There is no standard of rightness beyond what it **wills** if it chooses to cut itself loose from objective standards.

The departure of so many of our governmental officials and economists—particularly the Keynesian-Socialist brand—from these objective standards has affected this country most adversely. The ramifications of their activities are far-flung and the social consequences are serious.

Work of Pressure Groups

But the desire to depart from a system of free and fair competition is not confined to the many government officials and the Keynesian - Socialist economists. Many people in positions of leadership are willing or active participants in those Federal policies and practices involving departures from free and fair competition. Pressure groups of almost every conceivable variety go to Washington for alms or for "their share" of the looting of the taxpayers. Agricultural leaders, labor leaders, owners of mineral resources, heads of big business enterprises, heads of little enterprises, leaders in education, leaders in fields of religion, and so on and on, seek financial aid from the Federal government. They speak proudly of getting Federal help. It is now a respectable thing to do. It is, according to present standards of behavior, a manifestation of power and importance.

These people do not announce proudly that they are not believers in the competitive system insofar as they are concerned, or that they are attempting to force the helpless taxpayers to subsidize them. One of the basic tenets of Marxianism is "From each according to his ability, to each according to his needs." When individuals and groups go to Washington seeking subsidies at the expense of the taxpayers they are in fact demonstrating that they are no longer believers in the virtues of free and fair competition but prefer the basic principle of Karl Marx. They want their needs met, as they see them, by the taxpayers.

Now there are some very important and basic things about a system of Socialism versus a system of competition that the people of the United States need to understand.

Socialism is destructive in nature — politically, economically, individually. The subjective standards of the rulers of the people become the standards of right and wrong. The objective standards produced by competitive private enterprise, which are the only ones that can reflect the combined judgment of all the people as to what should be produced, exchanged, consumed, and as to what prices and profits should be, are scuttled by governmental rulers under a system of Socialism.

No economic and social system in the world has ever matched the private enterprise, capitalist system with free and fair competition, with the government acting chiefly as umpire, regulator of monopolies, and the protector of the general interests.

When distortions occur, due perhaps to wars, or unwise governmental policies, people tend to forget these basic facts and seek government help. Politicians, endeavoring to please, attempt to meet the demands of these seekers of governmental protection. This procedure becomes cumulative in nature. Socialistically-inclined people busy themselves in devising new ways in which the government can aid still others. This procedure grows and grows. The new generation tends to pick up where the preceding one left off because, with ineffective schooling in these matters, they have a very small basis on which to reach independent judgments. Thus a national drift of this type becomes easy. It is like the silent thief in the night. Every college and university teacher can see the effects on the present generation of college students of one Presidency, devoted to the development of Statism, lasting over a dozen years. These people lack experience with the variations which generally characterize different Presidents; they have a distinct inclination toward a governmentally-managed economy because they understand little else.

As a consequence of this drift of our country in recent years toward Statism, we have reached a stage in which we now think we must have governmental protection or management of this and that, parity prices for agriculture, subsidies for the inefficient, price fixing to cover up great scarcities, social insurance piled upon social insurance—a steady, subtle march toward Socialism. Our abandonment of the gold-coin standard in 1933 was a vitally important step in our rapid move toward a managed economy since such abandonment deprived our people of the direct control over our government's management or mis-

management of the public purse. A governmentally-managed economy cannot be carried far if a nation is on a gold-coin standard.

We need to remind ourselves over and over again, and to make ourselves understand, as we obviously do not, that Socialism is an inefficient and destructive system; that under it the importance of the individual gives way to the importance of the State. To take that road is to take the road to social retrogression. That is not what the struggles of mankind throughout the centuries teach us is the course that we should take.

We would do well to weigh with utmost care, and consider the great wisdom in, Thomas Jefferson's warning of 1821: "Were we directed from Washington when to sow, and when to reap, we would soon want bread."

We need indeed to refresh ourselves in the well-springs of our origins if we would not perish. We need to reassert the paramount importance of the individual, the importance of self-reliance, and of hard and honest labor. We need to understand that no system of economy known to man can match or ever has matched the private-enterprise, competitive system in stimulating production, in widening the exchange of goods and services, in providing a great volume and variety of goods and services for consumption, in providing prices that are right, in distributing income and rewards justly.

Confusing Symptoms With Causes

We need to stop our widespread tendency to confuse symptoms with causes, and to cease our attacks on symptoms rather than causes, thus aggravating a situation that is disliked. For example, we would do well to remind ourselves regarding what we call high prices that, stated simply, one of the best cures for high prices is high prices. More basically, the cure of course lies in greater production or a smaller demand or in a combination of the two and in not depreciating our currency. Fixed prices, when goods are unusually scarce and demand is unusually great, merely aggravate what is not liked. The fixed prices tend to restrict production and to invite a greater demand. Perhaps the only time that price fixing can be justified for commodities or services that are normally bought and sold at fluctuating prices in a free market is in time of war when an increase in price cannot induce greater production. Even in this instance it is a case of adopting the least undesirable device from among a series of available devices, all of which are undesirable.

We in this country are demonstrating repeatedly that we do not understand the lessons which history should have taught us over and over again about attacking symptoms rather than causes. This is particularly true in our pronounced tendency to cry out for government price-fixing when unusual scarcities and demand cause prices to go to unusually high levels.

It would seem eminently desirable for us to refresh our minds somewhat on the elementary lessons which past experience teaches again and again.

The following is from Andrew Dickson White's famous "Fiat Money Inflation In France" (pamphlet, as published by Duke Endowment, 1933, and dealing with the situation in France, 1789 to approximately 1800), pp. 40-43:

"The third outgrowth of the vast issue of fiat money was the **Maximum.** As far back as November, 1792, . . . St. Just, in view of the steady rise in prices of the necessaries of life, had proposed a scheme by which these prices should be established by law, at a rate proportionate to the wages of the working classes. This plan lingered in men's minds, taking shape in various resolutions and decrees until the whole culminated on September 29, 1793, in the Law of the **Maximum.**

"While all this legislation was high-handed, it was not careless. Even statesmen of the greatest strength, having once been drawn into this flood, were borne on into excesses which, a little earlier, would have appalled them. Committees of experts were appointed to study the whole subject of prices, and at last there were adopted the great 'four rules' which seemed to statesmen of that time a masterly solution of the whole difficulty.

"**First,** the price of each article of necessity was to be fixed at one and one-third its price in 1790. **Secondly,** all transportation was to be added at a fixed rate per league. **Thirdly,** five per cent was to be added for the profit of the wholesaler. **Fourthly,** ten per cent was to be added for the profit of the retailer. Nothing could look more reasonable. Great was the jubilation. The report was presented by Barrere . . . then in all the glory of his great orations. . . . He poured contempt over political economy as 'that science which quacks have corrupted, which pedants have obscured and which academicians have depreciated.' France, he said, has something better, and he declared in conclusion, 'The needs of the people will no longer be spied upon in order that the commercial classes may arbitrarily take advantage.'

"The first result of the **Maximum** was that every means was taken to evade the fixed price imposed, and the farmers brought in as little produce as they possibly could. This increased the scarcity, and the people of the large cities were put on an allowance. . . ."

* * *

"Shopkeepers . . . could not sell such goods without ruin. The result was that very many went out of business and the remainder forced buyers to pay enormous charges under the very natural excuse that the seller risked his life in trading at all. That this excuse was valid is easily seen by the daily lists of those condemned to the guillotine, in which not infrequently figure the names of men charged with violating the **Maximum** laws. Manufactures were very generally crippled and frequently destroyed, and agriculture was fearfully depressed. To detect goods concealed by farmers and shopkeepers, a spy system was established with a reward to the informer of one-third of the value of the goods discovered. To spread terror, the Criminal Tribunal at Strassburg was ordered to destroy the dwelling of any one found guilty of selling goods above the price set by law. The farmer often found that he could not raise his products at anything like the price required by the new law, and when he tried to hold back his crops or cattle, alleging that he could not afford to sell them at the prices fixed by law, they were frequently taken from him by force and he was fortunate if paid even in the depreciated fiat money,—fortunate, indeed, if he finally escaped with his life.

"Involved in all these perplexities, the Convention tried to cut the Gordion knot. It decreed that any person selling gold or silver coin, or making any difference in any transaction between paper and specie, should be imprisoned in irons for six years; that any one who refused to accept a payment in **assignats**, or accepted **assignats** at a discount, should pay a fine of three thousand **francs**; and that any one committing this crime a second time should pay a fine of six thousand **francs** and suffer imprisonment twenty years in irons. Later, on the 8th of September, 1793, the penalty for such offenses was made death, with confiscation of the criminal's property, and a reward was offered to any person informing the authorities regarding any such criminal transaction. To reach the **climax of ferocity,** the Convention decreed, in May, 1794, that the death penalty should be inflicted on any person convicted of 'having asked, before a bargain was concluded, in what money payment was to be made.' Nor was this all. The great finance minister, Cambon, soon saw that the worst enemies of his policy were gold and silver. Therefore it was that, under his lead, the Convention closed the Exchange and finally, on November 13, 1793, under terrifying penalties, suppressed all commerce in the precious metals. About a year later came the abolition of the Maximum itself.

"It is easily seen that these Maximum laws were perfectly logical. Whenever any nation intrusts to its legislators the issue of a currency not based on the idea of redemption in standard coin recognized in the commerce of civilized nations, it intrusts to them the power to raise or depress the value of every article in the possession of every citizen. . . ."

Effect of Abandonment of Gold Standard

That very old lesson is one which we in this country either do not understand or have chosen to ignore. It seems quite clear that the great mass of our people do not associate the abandonment of the gold-coin standard in this country with our rapid move toward a governmentally-managed economy. It also seems obvious that most of those who do not urge a prompt return to a gold-coin standard have no appreciation of the fact that they are, by their inaction, giving support to a continuation of our governmentally-managed economy. A gold-coin standard is a great, and probably the greatest possible, obstacle to a governmentally-managed economy. That is why a government embarking on that course must deprive the people of the direct control over the government's use and abuse of the public purse which a gold-coin standard places in the hands of each individual of a nation.

A prompt return to a gold-coin standard is one of the most potent instruments by which a people can bring a governmentally-managed economy to an end. Let us not forget that a governmentally-managed economy and a governmentally-managed paper currency, with the people deprived of the right to use gold as money, go hand in hand. May the person who thinks our system of inconvertible paper money is good enough for us and is superior to a gold-coin standard also recognize the fact that he is by implication also saying that a governmentally-managed economy is also good enough for the people of this country.

The Socialistic thinking which we have embraced in so many ways has in very recent years become world wide in its ramifications. As a consequence, the situation in which this country now finds itself is serious indeed. But we are acting as though we do not realize it. We seem to think that there is some Providential Power somewhere that will take care of us no matter how foolish we may be in our unprecedented dissipation of our national patrimony.

Amazing Economic Illiteracy

We are revealing an amazing economic illiteracy about these things. We act as though it is the Federal government, not our taxpayers, which pays these bills. We act as though it is money not real wealth that is being exported at such a frightful rate. We agitate for more aid to people abroad and hold meetings of protest because prices are high. We complain because we cannot build houses or buy cars or buy oil cheaply for our homes, and at the same time we march and meet and agitate for more help to the unfortunate people abroad. Probably few people who agitate as so-called "liberal humanitarians" ever analyze our statistical data on exports and see what is going out of this country. Similarly, they know little or nothing about what is or is not coming in.

When they agitate for more government loans they do not face the fact that they are attacking private enterprise and are urging that people, who do not wish to invest in uneconomic enterprises or who do not wish to give away their savings, should have their wealth taken from them by their government. If loans to foreign countries are good, private enterprise would and should take them. Much of the agitation for these foreign loans by our government is therefore for bad loans that will never be repaid, all at the expense of our taxpayers, now and for generations to come. A great proportion of the reasons given in support of this method of dissipating our national patrimony will not withstand competent analysis. We have reached a situation in which it is a case of Europe versus the taxpayers of the United States with relatively little regard being given to the welfare of the latter.

This is in large part merely one aspect of our unusual and pronounced tendency in recent years to depend upon our government instead of upon free private enterprise.

Political and Economic Retrogression Continues

Warnings have been issued repeatedly in this country, but our march on this road of social, political, and economic retrogression is still continuing.

A distinguished non-Socialist economist has reached the conclusion that we will not stop until we are thoroughly Socialized. Should that conclusion prove to be correct, then the teachings of world history and the experiences and unprecedented progress of this country during the 159 years since the adoption of our Constitution will have been junked on the ground that this progress was of the wrong kind and in the wrong direction. Should we continue our course until we are thoroughly Socialized, then the twilight hour for the United States will have been reached. The virtues of self reliance and self respect, of Yankee shrewdness and ingenuity, of hard work and saving, of individual independence, will all have passed into the limbo of largely forgotten history, to be read about, if read at all, as a curious phase in human history by a people who sacrificed these things in order to be cared for and guided by the State like inmates of a prison.

We do not hear much about these virtues any more, even though they are the ones that enabled us to progress faster and farther than any other people, in the same period of time, in the history of the world. We want more and more money for less and less work; we prefer government aid to self reliance; we demand government research to supplement or replace private ingenuity; we regard saving and savers as anti-social; profligate government spending and heavy taxation are now said to be virtues; we have piled government debt upon our people until they are supporting government to a degree comparable to that of most Socialist or other totalitarian governments. We are all working for the Federal government to an extent never before seen or even remotely approached during the first 145 of the 159 years following the adoption of our Constitution. That should be an arresting consideration for all of us.

No people who are not satisfied to become tools of their government should ever permit that government to take from them what our Federal government is now taking from the people of this country. Few seem to count the days or months of time, income, productive effort, and savings that they are now forced to give to our Federal government. Our receivers of income are now on the average working approximately three months per year for the Federal government, and some are compelled to work as much as ten and eleven months per year for this government. The difference between what these men are doing and what people do who are compelled by their government to work twelve months per year as slave laborers is merely one of degree and kind. Fundamentally, the differences between what we are doing in this country in the direction of compulsory labor for our government and the enforced labor that exists in some areas abroad have been growing progressively less, and at a very rapid rate, in recent years. The people of the United States, who are supposed to attach great importance to their freedom, should take a good look at the degree to which we have become involved in enforced labor for our government in our move toward a governmentally-managed economy.

Under our present tax load, young people in general with substantial dollar incomes, hoping to save enough to build for themselves and their children good homes, like those built by their fathers, simply cannot save enough to do it. The tendency today is to place two people, not two cars, in every garage.

According to the "New England Letter" of the First National Bank of Boston, July 31, 1947, Federal expenditures for the calendar year 1929 were less than two-thirds of the total income payments to the inhabitants of California. In 1938, Federal expenditures were equal to the income payments of eleven Western states—California, Oregon, Washington, Idaho, Nevada, Utah, Arizona, Montana, Wyoming, Colorado, New Nexico. In 1946, Federal expenditures were equal to the aggregate income payments of approximately twenty states—the preceding eleven and North Dakota, South Dakota, Nebraska, Kansas, Oklahoma, Texas, Minnesota, Iowa, and 54 per cent of Missouri. Federal expenditures on a calendar-year basis, according to the "New England Letter," were, in 1929, $3.3 billion; in 1938, $8 billion; in 1946, $44 billion. The peak, on a fiscal-year basis, as we know from Treasury reports, was $100,405,000,000 in 1945, and over $65 billion were spent in 1946. In 1929, according to the "New England Letter," Federal expenditures were less than 4 per cent of the national income; in 1946, they were nearly 25 per cent. In 1929, they were $121 per family; in 1938, $250; in 1946, $1,155. If state and local governmental expenditures were added, total expenditures in 1946 equal about 30 per cent of national income.

Compulsory labor for government means a corresponding loss of individual freedom. Russia is supposed to have 14 or 15 million labor slaves in her prisons. Those of her inhabitants outside her prisons have some additional freedom, but how much it seems difficult to say. We, in general, have still more — much more — but the degree to which we have become wage slaves of our government, and the shortness of the period in which this has come about, should be very sobering consideration for the people of this country.

Wild, reckless, and profligate spending by our Federal government has brought our unprecedented tax burden and a corresponding amount of enforced governmental labor upon us. In addition, it has mortgaged our future incomes and those of our children for generations to come. Thus far we have been going

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Production and Prices

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along with this march toward what will probably lead us into serious trouble in the future in an amazingly supine manner. We recently saw the President of the United States veto a bill of Congress to reduce the taxes on our people when the tax load could and should have been reduced; and we saw that Congress contained enough people to support that veto. One of the consequences of this supine attitude of so many of our people, in and out of our government, toward a continuation of this reckless course, is that governmental expenditures are proving to be highly rigid in this country.

It needs to be emphasized that if a business recession should set in with this scale of spending and this huge tax and debt burden resting upon the incomes of our people, a very serious situation could and probably will develop.

Considering the great amount of economic illiteracy which we are revealing in respect to these matters, it seems highly probable that the distresses and strains attending a sharp business recession may turn out to be excuses and causes for a still further march toward Socialism or at least a more thorough-going governmentally-managed economy and, consequently, a plunge into the twilight for the United States.

"Profligate Wasters"

We are acting like profligate wasters who do not consider what the future may bring.

This tax load and our huge debt alone, to say nothing of what is happening in production, to prices, to our currency, to freedom of exchange, to our savings, to our self-reliance and our morale, and so on, as a result of the encroachment of our Federal government on our people, should be sufficient to bring us to our senses. Whether there is a sufficient number of people with enough understanding of the great dangers in the course we are pursuing to arouse a majority of our citizens from their soporific lethargy so that this nation can shake off this pestilential visitation of governmentally-managed economy and society, with the attendant dissipation of our national patrimony, is a very serious question indeed.

Type of Presidential Candidate Needed

What this country needs is a Presidential candidate, and a President, who will talk to the people of this nation directly and sharply about what is involved in this course we have been pursuing in recent years and are still pursuing. What we need is a man that will talk to us like a "Dutch Uncle"—a man who has the good sense and the nerve to give us the dressing down and the tongue-lashing that we so badly need.

What this country definitely does not need is the conventional type of Presidential candidate, who will seek to please or who will endeavor to pacify pressure groups with the usual promises.

Our supineness needs to be replaced by some elementary intelligence and some backbone. Where is that Yankee hard-headedness, where is that self-reliance, independence, thriftiness, and diligence which up to the last dozen or fifteen years we took pride in claiming as our chief characteristics and as the virtues that made this nation so great in the relatively short space of a century and a half? We do not hear much about them any more. They have all but disappeared from our textbooks in Economics, Government, and Sociology.

The science of Economics has been corrupted, almost within the space of a decade, by the Keynesian-Socialist. We have grown soft in the head and spine; we have turned to the business of dissipating our national patrimony; we are ready to rely on government to take care of us. We invite it to guide production, to fix prices, to ration supplies, to tell us what and when to consume, and how much. We work for it three months per year and now consider it the part of common decency not to complain or to rebel. We run to Washington for subsidies. If we believe in competition at all it is for others but not for ourselves. We have suffered a slump in our morale and intelligence from which we need some one to jar us. We need to be talked to in terms we can really understand.

Perhaps Providence, who is supposed to look after fools and the United States, will actually rescue us once more from our unparalleled foolishness by sending us this much-needed "Dutch Uncle" who knows what made this nation great and who will be able to exercise enough influence to set us on our proper course again.

Wisdom suggests however that, considering how we select Presidential candidates, we as individuals would do well not to count too much on the appearance of a fearless American leader who would understand and typify what has proved best in our history. Moreover, should such a person appear, he would need all the help he could get, considering the distance we have travelled toward a governmentally-managed economy and society.

The very best efforts of every individual are needed, singly and in association with others, to arrest us in our foolish and reckless course, and to turn us in the direction of what we should know to be in accordance with elemental good sense.

There are some things that we can do, and we should do them. We can consider and counsel with others as to who might be the unique Presidential candidate so badly needed in this country. We can condemn and deplore the ridiculous and now dangerous type of political campaigns we conduct in this country. We can stop running to Washington for handouts, and we can oppose and expose those who do. We can live up to the standards of free and fair competition, if we believe in them, and take our profits and losses accordingly without complaining about the injustice of our losses resulting from our bad judgment. We can fight for a reduction in government expenditures and taxes. We can examine carefully, and avoid being impressed with emotional attitudes regarding, every proposal for giving or lending the taxpayers' money and for dissipating our national wealth domestically or in our international relations. We can oppose a governmentally-managed economy at every turn. We can urge a return to a gold-coin monetary standard so that the people who, after all, are the owners of this nation's currency, will once more have direct control over how their representatives manage or mismanage the people's purse. We can, and we should, refresh ourselves in the well-springs of our origins, and urge others to do likewise, lest we as a nation perish.

T. M. French in Ft. Worth

FORT WORTH, TEX.—Thomas M. French is engaging in a securities business from offices at 301 East Fifth Street.

H. B. Snyder Opens

WHITING, IND. — Henry B. Snyder is engaging in a securities business from offices at 1945 Warwick Avenue.

Taft-Hartley Act Emancipates Labor

(Continued from page 14)

exert all the influence I possessed to the end that the final legislative product would be as equitable, as sound, and as satisfactory as possible. I believe that the Taft-Hartley Act, although not perfect, in large measure meets the specifications which I laid down for my personal guide and chart.

Perfect legislation in dealing with the relationship between workers and employers is virtually impossible of realization at any time. The field of labor-management relations is dynamic and constantly changing. New techniques and new procedures are always appearing. The best we can do at any one time in dealing with this subject through legislation is to strive for perfection and be satisfied if we arrive somewhere in the vicinity of the goal of perfection. Most definitely the Taft-Hartley Act meets these requirements.

Proving An Emancipation Act

Experience is already demonstrating that this new law, far from being a "slave labor law" is actually a "worker emancipation act." Moreover, I am sure that people are recognizing more and more that in our efforts to correct such abuses as existed and to bring into proper balance the relationship between labor and management, the Congress went far enough in passing the Taft-Hartley Act. Actually this Act should contribute substantially to sound employer-employee relationships.

To understand fully the need for the new labor law and the place which it occupies in our economy, it is necessary to become acquainted with its historical background. This law, as many of you know, did not suddenly materialize out of space. Rather it is the product of evolution in the field of labor-management relations.

The so-called Wagner or National Labor Relations Act, which was passed in 1935 and declared Constitutional in 1937, had been needed to meet an unbalanced relationship between workers and employers existing in the years prior to that time. In order to remove the previous unbalance, an act weighted on the side of labor was urgently required. The National Labor Relations Act accomplished this purpose.

With the improved condition of labor and the vastly increased power of labor which resulted from the enactment of the 1935 law, the relationship between management and labor once more became unbalanced — this time in the opposite direction. Inequality of bargaining power where labor was at the mercy of management was replaced by inequality of bargaining power where management was at the mercy of labor. This latter unbalance was just as harmful to our American economy as was the earlier unbalance. Consequently our task was to make the adjustment necessary to bring about equality in the law between employers and employees. This, as I have indicated, was a primary purpose of those who supported the Taft-Hartley Act, and this is what the new Act is intended to do.

Another objective of those supporting this legislation was to assure to the individual workers their full rights as American citizens, not only where management is concerned, but where their own labor leaders are concerned. The Act of 1935 had guaranteed these rights with respect to management. The Act of 1947 has merely extended these rights to protect the individual worker in all his relationships and activities connected with his job.

To be sure, the new law makes many adjustments in the labor-management field, but I am sure that — properly interpreted and administered — these adjustments will work to the advantage of the employees of this country and will bring about ultimately a more harmonious relationship between them and management.

Provisions such as those subjecting unions to liability for breach of contract or requiring unions to submit financial and other statements to the Secretary of Labor or prohibiting unions from engaging in costly jurisdictional strikes and secondary boycotts should result in greater mutual responsibility among workers and employers, and this improved condition should contribute both to increased happiness among them and to increased efficiency and production.

As I have indicated, contrary to what some allege, the individual worker has not been deprived of the gains made under the National Labor Relations Act of 1935. No basic concept has been deleted. Employees are still guaranteed the right given to them in that Act to form labor unions and to "bargain collectively through representatives of their own choosing." The employer is still obliged to bargain with whatever union is the valid representative of his employees. Furthermore, the provisions prohibiting unfair labor practices by employers have not been removed or even changed in the 1947 Act. All of these fundamental achievements in labor's progress stand unimpaired.

In addition to preserving the rights guaranteed in the 1935 Act, the individual worker—as I have stated—is given additional protection in the new law by provisions against arbitrary or coercive action by union leadership. It is no longer necessary, for example, that he be a member of a labor union in order to obtain employment. Outlawing the closed shop removed this necessity.

Once the job is his, however, an employee must join a union if a union shop has been established by contract with the employer. But such a shop can no longer be imposed upon employees by a minority among them because the law now requires that a majority of all the employees of an employer—not just a majority of those employees who happen to vote—must vote in favor of a union shop.

Further Protection

The employee is further protected not only from coercion by employers as guaranteed by the 1935 Act, but also from coercion by a labor union seeking to enroll employees for bargaining purposes. Furthermore, under the new law, a worker cannot be summarily deprived of his job by dismissal from the union except for non-payment of dues, and he is thus protected against prejudice or unwarranted action by union leadership.

The requirement that, before a union may have access to the facilities of the National Labor Relations Board for the purpose of securing its rights and privileges under the law, each union officer must file an affidavit stating that he "does not believe in, and is not a member of or supports any organization that believes in or teaches, the overthrow of the United States Government by force or by any illegal or unconstitutional methods" has—to my mind—received a disproportionate amount of attention. As a matter of fact, this provision should assist individual union members in ridding themselves of known communistic domination. Whenever an official of a union refuses to sign and file with the National Labor Relations Board the required affidavit, the membership should have the right to replace him with someone else who will act in the best interest of the union members.

One feature of the Taft-Hartley Act which has received comparatively little attention is that portion establishing a new and independent Mediation and Conciliation Service in the Federal Government. In the past, the chief role of mediation as it pertains to labor-management relations has been to endeavor to eliminate disputes between workers and employers after they have arisen. Under the 1947 Act, a new and equally important function of mediation and conciliation is to be the prevention of disputes which, without such preventive effort, would be apt to arise. Thus, under the new law just as much attention is to be given to prevention as to cure and this change in policy and approach should be most effective in reducing the number of labor-management controversies.

At this point I would direct your attention to an additional feature of that portion of the Act establishing the new Federal Mediation and Conciliation Service, which I feel has not received the attention or explanation it merits. This is the provision calling for the establishment of a National Labor-Management Panel consisting of 12 members to be appointed by the President. Of these members six are to be selected from persons outstanding in the field of management and six are to be chosen from persons outstanding in the field of labor. The specific duty of this Panel is to advise on the avoidance of industrial controversies and on the manner in which mediation and voluntary adjustment should be administered, particularly with reference to controversies affecting the general welfare of the country. Thus, instead of government regimentation of labor and management, there is created machinery whereby the leaders of these two great segments of our economy are to advise and confer with government, to the end that free collective bargaining and mutual understanding, which constitute the foundation of mature and wise labor-management relations, shall be made realities.

Further Congressional Investigation

Of great significance in the new Act is that section establishing a Joint Congressional Committee on Labor-Management Relations which is to study, investigate and report on all important matters affecting the relationship between employers and employees. Not only is this Committee, which has now been created and is presently functioning, studying the objective of the Taft-Hartley Act, with the purpose of ascertaining how it is working and what changes in it may be needed, but the Committee is also exploring the whole field of labor-management relations, including such matters as annual wages, incentive profit sharing, welfare funds, industry-wide bargaining and the "methods of best carrying out the collective bargaining process." It is further charged with examining into the internal organization and administration of labor unions and with giving special attention to the impact on individuals of collective agreements requiring membership in unions as a condition of employment.

I am pleased to have been selected as a member of this Committee and can report to you how impressed I have been with the objective thinking as expressed by most of its members in their deliberations thus far.

This Labor-Management Relations Committee should be able to ascertain what further legislation can do to weld labor and manage-

ment together for maximum happiness, productivity and progress. In its broad field of activity, it should go far in helping to bring about a happier era in American labor-management relations.

In these remarks, I have cited some of the important provisions of the new labor law. It is evident that some employers are still dissatisfied because unions are not to be crushed into impotence. Some labor leaders, too, are dissatisfied because they are not left entirely free to have license as well as liberty. But, as I have pointed out, with sympathetic and sincere administration the law can be made to work—without destroying trade unionism and without injury to the legitimate objectives of organized labor.

As I have intimated, I do not like some provisions of this new law. But the good that is in it far outweighs all of its shortcomings. Let us keep constantly in mind that we are just beginning our task of striking a working balance between the rights of unions, the rights of managements and the rights of the public.

In our political life our ancestors gave us a balance of powers between the Legislative, the Executive and the Judiciary. In our economic workaday life we must evolve a similar balance of powers between organized business, organized labor and the national general interest. Let us seek that balance impartially, persistently and, above all, confidently, knowing full well that the inner light of American institutions cannot fail.

Does the United States Face a Petroleum Shortage?

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processes. Energy in solid form is bulky and cumbersome, costs entirely too much to transport, and is declining in acceptance relative to the others. If we compare these forms of energy by reducing them to a common denominator—British Thermal Units — some rather remarkable results are obtained. For example, during World War I, 80% of our energy was supplied by coal; 12%, by oil; 4% by natural gas; and 4% by hydroelectric power. By 1947, the proportions had radically altered. Now coal supplies 47% of our energy; oil, 30%; natural gas, 12%; and hydroelectric power, 11%. Expressed another way, between World War I and 1947, the usage of coal increased 5.5%; of oil, 413%; of natural gas, 434%; and of hydroelectric power, 370%. It is apparent, then, that coal is losing out in favor of the more mobile forms of energy. The form value of coal does not seem well suited to modern requirements.

So long as oil and natural gas were so plentiful as to be very cheap, they had no difficulty in progressively replacing coal. But I suspect that at the back of this economic relationship was another factor, accentuating the effect, resulting from the high degree of centralized regulation which the government brought to bear upon the coal industry and upon its agency of transport, the railroads. Left relatively free, the oil and gas industries developed new and amazingly efficient means of haulage, the pipe lines, against which the movement of energy in bulky form had difficulty in competing. The coal and railroad industries, in the meantime, were caught in the mazes of centralized direction which slowed down corresponding progress in technological innovations. Thus we have now reached the point where the sheer magnitude of the load transferred to oil and gas, relative to their resource size, will force other and even more basic changes. These, I surmise, will not result in a cessation in the growth of the use of energy in liquid and gaseous form and thus bring about a revival of the coal industry in its present pattern. On the contrary, the economic pressures are more likely to induce changes in the nature of the coal industry itself whereby the energy content of coal will be progressively converted into liquid and gaseous states in order to invest the great coal resource with the advantages of superior form values and lower-cost means of transportation. If this comes about, the coal industry will slowly coalesce with the oil and natural gas industries.

These developments, I think, could begin to come fairly soon and would constitute a new capitalistic "frontier," but the time gradient is bound to be affected by the magnitude of foreign oil resources and the extent which they are used to supplement our domestic reserves of petroleum which have the advantage of being already in liquid and gaseous form.

We may, therefore, attempt to project the demand for oil over the intermediate future, say for the next decade, and examine the shifts in supply that reasonably may be anticipated in meeting this demand. Inasmuch as the consumption of oil in the United States has increased five-fold since World War 1, and during the past decade has displayed no slowing down in rate of growth, it is reasonable to assume that the industry has not matured and further expansion lies ahead. We have recently estimated, on the basis of studies which cannot be detailed here, that the consumption of oil in the United States will increase from 4.9 million barrels per day in 1946 to 6.7 million barrels per day in 1956, an expansion of 37%. Over the same period, the consumption of oil in the rest of the world is estimated to show a growth of 76%, or from 2.9 million barrels daily in 1946 to 5.1 million barrels daily in 1956. Needless to say, these projections are based upon the assumption that reconstruction of Europe and Asia will take place, and they do not take into account fluctuations to be brought about by variations in the business cycle. Thus the world demand for oil is expected to grow to the extent of slightly over 50% in the decade beginning with this year, reaching 11.8 million barrels a day by 1956 or thereabouts.

Future Supply

Where is the oil for this large expansion coming from? Given some measure of world peace and continued freedom of initiative for the petroleum industry, the answer is not difficult. One can foresee a balancing of supply and demand in this period with a few important shifts in supply brought about gradually and without important recourse to the vast stores of hydrocarbons not now available in liquid form. Taking 1956 as an objective point, we can envisage a world demand of nearly 12 million barrels a day, met as follows: Crude oil production in the United States, 5.0 million barrels per day; production of natural gasoline, condensates, and synthetic gasoline in the United States, 0.7 million barrels per day; crude oil production in Venezuela, 1.8 million barrels per day; crude oil production in the Middle East, 2.5 million barrels per day; and crude oil production in the rest of the world, 1.8 million barrels per day. The outstanding changes in this list, as compared with the present, are only three: a rise in the United States production of gasoline derived from other sources than crude oil; a fairly substantial increase in the output of crude oil in Venezuela; and a very impressive growth in the crude oil production of the Middle East. The expected expansion in Middle East production in the course of a decade to a level nearly half as large as that of our own country at present will represent one of the great industrial developments of history. This task, already well under way, can only be carried through by the genius of individual enterprise and that only in the absence of significant interference by the State, our own or others.

The Near East Supply

Few segments of the world economy are so little understood as the oil development in the area adjacent to the Persian Gulf. Far from being an object of American imperialism, this oil is not primarily required in the United States and no large quantities of it in the foreseeable future need come here. For the most part, it will be consumed in the Eastern Hemisphere, gradually relieving the dependence of that area upon the oil of the United States and the Caribbean, and increasing the availability of the latter for consumption in the United States to meet further increments in our own demand.

The development of oil in the Middle East, therefore, in which American capital is playing such a prominent part, promises to be one of the greatest contributions to world reconstruction that can be made. It is perhaps not too much to say that a million barrels of oil per day delivered to the shores of the Eastern Mediterranean, which is the expectation by 1951-1952, will do more to create a lasting industrial recovery in Europe and to promote peace than the sum total of the political efforts to date. Can it be that capitalism will find its optimum exemplification in the deserts surrounding the Persian Gulf by bringing rising living standards to a sorely tried world from a region out of which our civilization originally sprang?

There has been a great deal of discussion as to the prospective dependence of our country upon foreign oil. At present our petroleum imports and exports are in almost exact balance. Our estimates covering the next decade show a gradual growth in net imports which will care for much of the expected increase in demand. But this would not be "dependence," but rather an expedient for supplementing our domestic resources and facilitating further expansion in consumption.

American Accomplishment

To carry world oil supply to a level approaching 12 million barrels per day in the course of a decade is a simple task from a physical standpoint. But, as it cannot be done except by individual enterprise, and by American enterprise in the main, it might be profitable to examine the financial mechanism through which this miracle may be wrought. It may seem a far cry from prices and profits to world peace and recovery, and yet the requisite expansion in the world oil industry over the next decade will require billions of dollars — about the same number, in fact, that we as a nation are proposing to provide to Europe under the Marshall Plan in the next five years. The oil industry is criticized for the advances in its price structure which have recently taken place and for the large profits the oil companies are making. True, prices have advanced and profits conventionally calculated are large relative to the past. But the oil industry for two decades has been one with subnormal prices and its earnings in consequence have been low, which accentuates the contrast. These, however, are not the vital points. The really significant thing about prices and profits in a growing industry is that they represent the mechanism through which growth is mainly financed. The oil industry has been accustomed to generate about seven-eighths of its capital requirements from its own operations — from cash derived from undistributed profits and book charges such as depletion and depreciation. The remaining one-eighth comes from the money markets — borrowings and the sale of preferred and common stocks. Faced by enormous capital requirements both here and abroad, by a higher price level on which this expansion must take place, by rising exploration costs in the United States, and by the need for costly technological innovations, it may be calculated on a fairly accurate basis that the required expansion can only be accomplished on a sound basis if the industry continues to generate close to seven-eighths of the capital it requires. This objective means that existing prices and profit levels, far from being exorbitant or non-social, are necessary to bring about the future growth that society needs and, therefore, in the long run are in the public interest. Nothing could be more harmful than artificially to regulate prices and profits at this juncture. They are functional, that is, they have an economic job to do, a job that can be done in no other way.

The Distant Future

So much for the next decade. What of the still longer future? The answer cannot be found in examining our underground inventories of proved oil reserves. The barrel counters have always reached false conclusions. And of necessity, for the method is incomplete. The reason is that this procedure does not reckon with the progress of technology — a powerful multiplying agent which no one can fully appraise and measure. For 30 years our technology has focussed on mechanical progress — deeper drilling, geophysical detection of structures, electric logging, molecular fission (cracking), and the like. We have scarcely yet called upon chemical technology, which is much more potent and surely in its very early stages. Atomic technology lies ahead. And beyond that, no one knows. An understanding of the geometric progression of technology, under the urge of competition, tells us that the notion of a shortage is a very narrow concept in the presence of such a vast array of potentials. The hydrocarbon resource plus technology plus freedom of enterprise constitutes a formula to upset conclusions derived from the momentary status of a single hydrocarbon inventory. The problem is really more involved in political, than physical, considerations—whether we shall have freedom of enterprise or a centralized control of our efforts.

Nevertheless, it may be of interest to review our present estimates of proved underground oil reserves: In the United States, 24 billion barrels of crude oil and condensates; in the Caribbean Basin, 9 billion barrels; in Soviet Russia, 8 billion barrels; in the Middle East, 30 billion barrels; and in the rest of the world, 2 billion barrels—a world total of 73 billion barrels. These figures mean very little in terms of ultimates, for some multiple of them is assuredly yet to be discovered, but they are significant in revealing existing relativities and trends. The most important deduction to be drawn from them is a confirmation of our conclusion that the Middle East is in for tremendous expansion which may, and probably will, be a primary basis of underwriting world reconstruction.

We have already indicated that for the next decade oil supply and demand can be balanced on a world basis almost exclusively out of our existing petroleum resources, even in the face of a tremendous expansion in demand. Beyond that period the same may be true, and doubtless is, but we are entering the synthetic age and before long the conversion of solid hydrocarbons into liquid and gaseous forms will become a widening wedge of supply in our economic equation. Even now plants are under construction to convert natural gas into gasoline and diesel oil, and there is every evidence to suggest that costs are competitive at present petroleum prices. And at slightly higher price levels and with the lapse of short periods of time, it is going to be commercially feasible to convert coal into either oil or gas, and to transport these mobile products through pipe lines to the points of consumption. The synthetic age inaugurates not only a revolution in the coal industry but provides endless vistas of hydrocarbon resources available to serve society as petroleum and natural gas now do. The transition will come as it is needed, but it will be a transition, not a sudden change. And beyond the synthetic era and overlapping it lies the atomic age which derives its energy from the fission of the atom itself. The technological possibilities are endless. There is reason to believe that the higher-cost and more inaccessible sources of petroleum will become obsolete before they are used, so great is the forward sweep of technology. In fact, technology and its motivating force, free enterprise, is our basic energy resource.

So, in conclusion, let us not be misled by spot shortages this winter, the results of terrific distortions in our economy which have borne with special weight on the demands for petroleum. Nor let us be misled by the great expansion in demand that may characterize the years immediately ahead, which will both create and require an economic setting conducive to vast capital expenditures, and at times may give the appearance of inadequacies of supply. We are in the early stages of a revolution in the economics of energy which, given freedom of scope, can contribute signally to the progress of this country and to the reconstruction of the world at large.

Do we face a shortage of oil? Only if we create it out of a shortage of understanding and imagination. Only if we regulate one into existence. As a great philosopher has said: ". . . if mankind is to be enriched, to consolidate, and perfect itself, there must exist 'a variety of situations.' Within each nation . . . there must be a diversity of circumstances, so that when one possibility fails other remain open." By great good fortune, the petroleum industry is a living example of this principle.

W. P. Diggs & Co. Opens

ST. LOUIS, MO.—W. P. Diggs has formed W. P. Diggs & Co. with offices at 943 Laurel Street to engage in a securities business. In the past he was with E. E. Haverstick & Co.

Milo Foley Opens Firm

LUBBOCK, TEX.—Milo Robert Foley, Jr. is engaging in a securities business from offices in the Hotel Lubbock. In the past he was with L. C. Harrison & Co.

Foster Opens Office

PHILADELPHIA, PA.—Howard A. Foster is engaging in the securities business from offices at 1421 Chestnut Street. Mr. Foster was previously with Graham, Parsons & Co.

The Business Outlook

(Continued from page 6)

place to another and from one occupation to another of developing a coordinated flow of raw materials, parts, supplies, transportation, etc., so that the economic system (as distinct from individual companies) might function as an integrated organization; and of reshaping the relations among government, labor, and business. Much of the confusion and most of the bottlenecks of the past year or two have been due to the enormity and complexity of these tasks, and much of the frustration has been caused by a general failure to appreciate what was involved.

Rising Prices

The second phase of post-war business trends, in which we now find ourselves, I have called the period of *rising prices*. I mean by this that the dominant problem of the economy is an excess of demand over supply with a resultant upward pressure on the prices of goods and services.

Of course, the problem of rising prices is not new. We have faced it continuously since the beginning of the war. When we embarked upon our war production program, incomes were rapidly expanded but without any commensurate increase in the amount of goods and services available to consumers. The result was a large and continuing excess of demand over supply which was only partially held in check by price control, by patriotic appeals to save, and by the restraint and commonsense of the majority of America's people.

At the end of the war, however, the problem of rising prices became more acute. The need for civilian goods was greater than ever and purchasing power remained high. Moreover, the patriotic motivation to save had weakened, people were less inclined to restrain their buying, price controls were progressively removed, and costs were pushed up as a result of wage increases. As a result, by March of this year, wholesale prices rose by more than 30% and the cost of living by about 20%. For several months after March, wholesale prices dropped back significantly, and it almost appeared that the post-war crest had been passed. But during the later summer and fall, with the deterioration in the food outlook, prices again began to rise and surpassed the March peak. However, because of the recent alarmist discussion about prices, few people realize that the general price indexes today are only a little above where they were last March. For example, the wholesale index for the week ending October 18 was 6% above the March peak. The consumer price index has recently been only a trifle above the March level.

Nevertheless, we are probably still in the inflationary phase. It is an open question whether the recent run-up of prices will abate shortly or whether we shall have further rounds of price increases. The weight of authority seems to be on the side that inflation is still the major problem.

My opinion, however, is that we are nearing the close of the phase of rising prices. I expect the upward movement in most prices to end within the next few months. We may well be today on the verge of a sharp decline both in prices and in business activity. To explain my reasons for this view, I shall turn now to a discussion of the nature and origin of the recent boom. In order to answer the question of whether or when the boom may come to an end, it is well to examine what has caused the boom. That is, we must identify the parts of the economy whose expansion has accounted for the boom, and ask about each whether the present expansion can be maintained over any extended period of time, or whether it is likely to be temporary. Here I should like to refer you to the statistical table which shows the various components of the gross national product since the end of the war.

Total Gross National Product

The gross national product refers to the total dollar value of all goods and services produced in the United States. It includes (A) goods and services for personal consumption, (B) capital goods, (C) goods produced for export, and (D) goods and services produced by and for government. Each item is shown quarterly starting with the second quarter of 1945 (when the war in Europe ended) and is carried through the second quarter of 1947. The figures are in terms of annual rates and are seasonally adjusted. The figures for 1929, our most prosperous peacetime year, are shown at the right for purposes of comparison.

GROSS NATIONAL PRODUCT

(In billions of dollars; seasonally adjusted quarterly totals at annual rate)

	1945			1946				1947		1929
	2nd	3rd	4th	1st	2nd	3rd	4th	1st	2nd	Aver.
A. Goods and services for personal consumption	119	122	128	134	133	147	155	157	159	79
B. Capital goods:										
1. Producers' durable equipment	6	3	9	9	11	13	16	17	18	6
2. New construction	3	3	4	7	9	9	9	10	9	8
3. Net increase in inventories	—1	0	—1	2	2	5	5	3	2	2
4. Total	8	11	12	19	22	27	30	30	29	16
C. Net exports	—2	0	2	3	6	5	5	9	11	1
D. Goods and services produced by or for government:										
1. Federal	88	72	47	27	21	18	17	16	16	1
2. State and local	8	8	9	9	9	10	11	11	12	7
3. Total	96	80	56	36	30	29	28	27	28	8
E. Gross national product: Total	220	213	197	192	197	208	219	222	226	104

Source: U. S. Department of Commerce.

Total gross output (item E) was $220 billions in the second quarter of 1945. Following the end of the war, it dropped to $192 billion (in the first quarter of 1946). This was the extent of the reconversion slump. During 1946, GNP rose rapidly. It was $219 billion in the fourth quarter of 1946. This was almost exactly what it had been in the spring of 1945. However, the figure for the fourth quarter of 1946 was inflated. The dollar by that time was not worth as much as it had been in 1945. Hence, the actual physical product was almost surely less than in early 1945. During the first two quarters of 1947, gross product has increased slowly but probably not in proportion to the rise in prices.

Now, let us examine the movement of the various components to see how the changes in total gross national product have come about.

The most conspicuous change was in the production of goods and services for the Federal Government (item D1). In the 2nd quarter of 1945, this was $88 billion. Since then, it has steadily declined until now it is running at about $16 billion, and is apparently stabilized at somewhere near that figure. That a decline in Federal activity from $88 billion to $16 billion could occur without a drastic dislocation of the economy surprised almost everybody—not only the Washington economists who got most of the blame for their bad guesses, but also most business leaders.

The vaccum created by the enormous and rapid decline in Federal activity was made up by increases in most of the other components. The question for the future is: How solid or stable are these other components? Are they running at a level than can be maintained or are they in a temporary boom which will soon give way to decline?

Consumption

The most important of the component items is goods and services for personal consumption (item A). The production of these has increased from $119 billion in the second quarter of 1945 to $159 billion in the second quarter of 1947. There are many who think that this increase in consumer spending represents a reckless spree on the part of consumers which will soon come to an end. I do not agree. As a matter of fact, consumers today are spending about the same proportion of their incomes as they have always spent in peacetime. The phenomenon of great spending which we see on all sides today is simply a manifestation of large incomes. It is something we must get accustomed to if we should be fortunate enough to have an extended period of prosperity.

What makes the recent increase in consumption seem so large is that during the war, people were spending must less than would ordinarily have been expected with the amount of incomes they had. For example, in the second quarter of 1945, they spent $119 billion, but with the amount of incomes they had then, they would normally have spent perhaps $140 billion for consumption—had the goods been available, had they not been induced to buy war bonds, had they been in places where it was possible to spend money, etc. What happened after the war was not that they made up for lost time, but rather that they merely increased their spending to a normal level in relation to incomes. This means, I think, that the present level of consumption is stable and dependable so long as incomes remain high, and that a decline in consumption is not likely to precipitate a general decline in business. There may, however, be significant and disturbing shifts in the amount spent by consumers for different classes of goods and services. At present, the amount spent for non-durable goods is relatively much larger than normal and the amount spent for services much smaller than normal. At some time, these abnormalities will be corrected and some lines of business may be hit in the process. So much for consumption.

Capital Goods

The next group consists of capital goods (item B); i.e., (1) producers durable equipment, (2) new construction, and (3) inventories.

First, producers' durable equipment (item B1). This consists of machinery, fixtures, and other durable business equipment. The production of producers durable equipment has risen from $6 billion in the second quarter of 1945 to the unprecedented height of $18 billion in the second quarter of this year. The highest amount previously on record in peacetime was about $6 billion in 1929. In other words the production of producers durable equipment is about three times what it has ever been before in peacetime. However, it has recently tended to level off and is no longer rising rapidly. In my judgment, it cannot hold up indefinitely at anything like present levels. On the basis of past experience, the production of producers' durables would be today around $10 or $12 billion if it were not for the temporary backlog of demand resulting from the war. Here, it seems, is an important vulnerable spot. One may reasonably expect, I think, a substantial decline in the production of producers durables at some time in the future. It is a vulnerable spot.

Next, private construction activity (item B2). Construction was reduced to a very low level during the war. In the second quarter of 1945 it was running at a rate of under $3 billion. Construction activity increased rapidly and steadily thereafter until the first quarter of this year when it stood at $10 billion. Since then, as you well know, the trend of construction activity has been uncertain. Throughout most of this year planned construction, as represented by building permits and contract awards, has been running at less than in the corresponding period of last year. In my judgment, this uncertainty in the construction industry has reflected nervousness about general business conditions rather than a drop in the basic demand for structures. I am convinced that the underlying demand for buildings is sufficient to provide great activity for some time—providing for general uncertainties as to business conditions and prices are removed. In other words, I feel that the construction industry can be a solid and substantial pillar of prosperity so long as the rest of the economy remains prosperous. I would conclude that construction in itself is not now a weak spot or a potential source of trouble.

Inventories (item B3), however, are voulnerable. During most of the war, and until the first quarter of 1946, inventory accumulation was negative. That is we were drawing on inventories at a more rapid rate than they were being replenished. In 1946, however, we built up inventories at an almost unprecendented rate. In the third and fourth quarter, inventories piled up at the rate of $5 billion per year. This was after adjustment for price level changes. This year, so far, the rate of accumulation has been tapering off indicating that we are probably nearing the end of the period of rapid accumulation. I have calculated that only about another billion or two of inventories would be needed to establish a satisfactory ratio of inventories to sales. In short, my judgment is that we cannot rely on much further inventory accumulation, and that this item is likely to drop back to less than $1 billion as it was in most peacetime years. Here is another soft spot.

Exports

We turn now to net exports (item C). This refers to the excess of our private exports over our private imports; that is, to that part of our production which, on balance, is marketed abroad. During the war, our net exports were negative indicating that we were importing more on private account than we were exporting. This was true in the second quarter of 1945 when net exports were negative $2 billions. Beginning in the fourth quarter of 1945, however, the balance turned positive, and grew steadily until the fabulous rate of $11 billion was attained in the second quarter of 1947. (To achieve this rate of net exports, our gross exports were $17 billion and our imports 6 billion.) The previous peacetime peak was in 1919 when net exports were $3 billion. In most peacetime years, they were less than $1 billion—even in 1929, for example. In other words, the recent rate of net exports was nearly four times what they have ever been before and more than ten times what they have been in most peacetime years. This recent great flood of exports has, of course, been due to the urgent needs of foreigners for our goods. In the last several months, however, our exports have begun to decline. The financial ability of foreign countries to buy our products is becoming impaired. True, a Marshall plan may bolster our exports. Nevertheless, even with a new program of foreign aid, it is probable that the export boom will still be tapering off. The Marshall plan is likely to be a fairly small successor to Lend-lease, UNRRA, the British Credit, and the other forms of economic assistance which have been available to foreign countries during and since the war. Moreover, the newly-inaugurated import restrictions in England, Australia, New Zealand, and most of Latin America cannot be ignored.

Government

The final item is government (item D). Federal expenditures for goods and services (item D1) may decline slightly from the most recent level of $16 billion; but there will probably be little change in this item. State and local expenditures, on the other hand, may continue to rise as more local public works projects are undertaken and as higher costs are diffused throughout local government.

Summary

This completes my survey of the various items that make up our national product. I have pointed to three danger spots: (1) producers durable equipment (item B1), (2) inventories (item B3), and (3) exports (item C). All three of them have been running at a higher rate than we can reasonably expect to be continued. At some time, perhaps in the fairly near future, all three are likely to decline. All three may already be declining.

The effect of a drop in these items would be, of course, a drop in total national product. That, in turn, would reduce the incomes of our people which would cause a decline in consumption. At the same time, the confidence of businessmen would be disturbed and their plans for capital expenditures would be curtailed. In short, a drop in the three vulnerable items might easily precipitate a general recession in business.

Timing

Now, I should like to turn to the question of *when* such a decline might take place. As I have indicated, a case can be made for the view that we have already rounded the peak. This view is supported by the fact that the generally rising trend of industrial production was broken last March. The comprehensive index of industrial production (which measures the physical output of mineral and manufactured products) reached a peak of 190 (1935-39 = 100) last March. After that, the index declined steadily to July when it stood at 178, or 7% below the March peak. Industrial production recovered somewhat in August, September and October, but was still below the March peak. Possibly in November, with the recent improvement in business, industrial production will equal that of last March. This general hesitation, starting last March, occurred in non-durable goods, durable goods and mineral products. It was evident in most major industries. It was not confined to particular industries having strikes or other special production difficulties.

A downward sweep of this extent and breadth, while not conclusive evidence that we are over the crest, at least suggests that some sort of fundamental change

is taking place. It may be, of course, that the recent letdown was only temporary and that we shall resume the rising trend later on. However, the view that the peak has been passed is also distinctly plausible. Many businessmen tell me that they are over the hump in providing for their accumulated demands left over from the war.

The recent behavior of the index of industrial production is somewhat ominous in view of the fact that each major decline in business activity during the past 50 years was preceded by several months of irregular or declining activity, i.e., by just the sort of period we have been passing through. In these previous episodes, the length of the period from the peak to the time of sharp recession has varied from three to seven months as follows:

Boom Period	Number of Months of Gradual Decline Following Peak and Before Sharp Recession
1907-08	4 months
1919-21	7 months
1928-32	3 months
1935-38	4 months

You realize, of course, that I do not guarantee on the basis of this past experience that a sharp recession lies immediately ahead. Yet I think you would have to agree that the conditions of today are suspiciously like those that prevailed before each of the major crackups of the past 50 years. It seems to me that this should put us on our guard. Yet, one must concede that the improvement in business of the last few weeks may be the beginning of a renewed upsurge. The recent behavior of the stock market, on the other hand, might give one just the opposite impression.

Prices

Next, I should like to say a word about prices. Any decline in business activity would almost inevitably result in a reduction in many prices and possibly in some wage rates. On the basis of past experience, a drop of, say, 10% in physical volume of production would be associated with a decline of perhaps 20 or 25% in wholesale prices.

We should not expect prices, however, to drop back to anywhere near their prewar level. There is a long historical precedent for this. In the first economic readjustment following each of our various wars, wholesale prices have declined from the postwar peak about halfway toward their prewar level. This was true following the War of 1812, the Civil War, and World War I. In each of these three historical cases, a major depression subsequent to the initial readjustment, brought prices down to about where they had been before the war. For example, in 1920-21, after World War I, wholesale prices dropped to a level about halfway between the 1920 peak and the prewar level. They stayed near the halfway point during most of the 1920's and then declined to near the prewar level in the major depression of 1929-32. On the basis of this experience, one might expect the index of wholesale prices to decline from the recent 155 to perhaps 115 or 120. But, today, a number of forces—not present in previous comparable situations—are at work tending to hold prices up. I refer especially to agricultural price supports, the resistance of organized labor to wage cuts and the strong liquid position of many individuals and businesses. Nevertheless, we cannot reasonably expect to weather a decline in business activity without some repercussions on prices.

Incidentally, a decline in the general level of prices would have a pronounced effect on the structure of prices. During the past several years of war and war-aftermath, the wholesale prices of farm products, foods and textiles have risen much more than those of other goods; and prices of fuel and metal products have risen relatively little. Similarly, the consumer prices of food, clothing and furniture have risen greatly, whereas, the prices of housing and fuel and lighting have been almost stationary. As a result of these verying price movements, the price structure is today probably maladjusted in terms of normal peacetime cost relationships. These maladjustments must be corrected sooner or later. Such a correction would probably be effected during a business recession when the water would be squeezed out of those prices which were out-of-line with basic costs. This was done following the inflationary boom of 1920. Although prices did not at that time return to precisely their prewar relationships, yet those prices which went up the farthest came down the most and those which did not rise perceptibly during the boom—like the consumer prices of housing and fuel and lighting—continued to rise even in the face of a falling general price level. There is considerable evidence that the normal structure of prices changes very slowly and that any sudden upheaval of the established structure (such as we have recently seen) tends to be corrected.

Conclusions

I should not want you to infer from my comments that I think a recession is certain to come and that it will necessarily happen within a few months. My conclusion, rather, is that business today is more vulnerable than is generally admitted. There are a number of strategic factors which, *in combination*, could produce a sharp recession. These factors are: (1) a possible decline in expenditures for producers' durable equipment, (2) termination of inventory accumulation, and (3) a decline in exports. And such a recession would almost surely have a profound influence on the level and the structure of prices.

But, perhaps the most convincing evidence regarding the outlook is the plain fact that we have been in the midst of a first-class boom. Past experience gives us very little reason to expect a period of stable prosperity following a boom. So far as I know, booms have always culminated, sooner or later, in recessions. Moreover, during boom periods in the past, it has been difficult for those living at the time to believe that the boom could possible come to an end soon. In boom periods the future has always looked bright, sales have been increasing, demands have seemed unlimited, unfilled orders have been large, business has been profitable, and elaborate plans for future business expansion have been underway.

Our experience in the boom of 1919-20 is especially instructive. The parallels between events then and now are striking though far from perfect in all details. We well know that the boom of 1919 ended not in a mild corrective recession, but in a major depression lasting two years. At the low point, production was off one-third from the highs of 1920 and at least 6,000,000 persons were out of work. And all this happened in spite of the fact, as was demonstrated by later events, that there was a large backlog of demand for houses, cars, plants, office buildings, and other durable goods.

So it seems to me that past experience should put us on guard against the comfortable view, all too easy to acquire in a boom period, that a new era of balanced prosperity is here or that only a mild and brief "corrective recession" lies ahead.

Qualifications

On the other hand, there are now a number of important factors that would tend to cushion any decline in business—factors not present in previous comparable situations. These must not be overlooked. Among such possible cushioning factors are:

(a) There are still important deferred demands for housing, automobiles, capital equipment and other durable goods.

(b) The liquid savings of individuals may be used on a large scale during a period of unemployment. Individuals have over $200 billion in savings bonds and cash which they may draw upon in case of need.

(c) Resistance of organized labor to wage cuts may help to maintain mass purchasing power.

(d) Government support of agricultural prices will help to maintain the incomes and purchasing power of our farm population.

(e) Deliberate use of fiscal policy by the Federal Government, including tax reduction and increased spending may soften the impact.

(f) Interest rates are low today and there is no foreseeable credit srtingency ahead. You may recall that a stringent credit policy preceded the crisis both in 1920 and in 1929. Today there are many who are arguing for tighter credit as a means of combating inflation. They propose refunding of the bank-held government debt and reduction in bank reserves. Up to now, however, the monetary authorities have resisted the temptation to repeat the errors of 1920 and 1928. This, I think, is a factor of great importance. Individuals and businesses are thus in a stronger liquid position and are less vulnerable financially than they were, say in 1919-20.

(g) We are profiting from past experience. We are more conscious of the dangers. Government, business and consumers are all acting more prudently than they have in past booms and are better prepared for whatever may lie ahead. In fact, the relatively prudent behavior of all concerned has been one of the major factors tending to prolong the recent boom.

And so I leave you, not with a dogmatic assertion that a hurricane of given intensity will srtike the shores of American business at a particular time, but rather with the warning that storms may be gathering beyond the horizon and that they may possibly strike us.

I think the implications of what I have said are fairly clear. We are not yet clearly and safely over the inflationary hump. Therefore, buyers of insurance must still look to their coverage. On the other hand, the insurance market will probably be eased when the present boom comes to an end, as it will sooner or later. Nevertheless, even if we have a recession, the total amount of insurance facilities needed in this country will be far above prewar requirements. This is true for two reasons: (1) the price level will probably be higher than it was before the war, (2) as a result of the great capital expansion of the past few years, the amount of insurable property will be much greater than ever before, and (3) the country has become more insurance-minded and concerned to get adequate protection.

Payment on Panama Bonds

The National City Bank of New York, as Fiscal Agent, is notifying holders of Republic of Panama 35-year 5% external secured sinking fund gold bonds, series A, due May 15, 1963, that funds have been received and are now available for distribution as an additional payment on account of the interest represented by the Nov. 15, 1942 coupons in the amount of $4.12 for each $25 coupon and $2.06 for each $12.50 coupon. Such distribution will be made at the office of the Fiscal Agent, 22 William Street, New York City.

Impact of Interim European Aid

(Continued from page 15)

the shipments provided in the present request for interim aid.

Doubt on Next Crop Yield

There is, of course, uncertainty about the total volume of grain we shall be able to make available during the current crop year. Several months must pass before data on the disappearance of grain into consuming channels and on the prospects for next year's winter wheat crop will be sufficiently accurate so that we may estimate with confidence the total supplies we can afford to export.

In the meantime, we are protected against any undue drain, because we have in operation an allocation mechanism that determines the actual quotas against which export licenses to each country are issued. Each month the data on needs and availabilities are analyzed, country by country; and monthly allocations are made in the light of all the facts concerning our own situation as well as that of recipient countries. Only as the uncertainties concerning the future of our own supplies are resolved can the total export program be definitely determined. The funds requested for the interim aid program, therefore, are not intended to increase food shipments above the goal already set, but rather make possible the purchase by these countries of their share of the supply made available.

The interim aid program, in other words, has no new impact upon our domestic grain markets. To say that it has no new impact, is, of course, in no way to deny that export purchases have already had a substantial impact on our domestic prices. Our record wheat crop could hardly command a price of $3 per bushel in the absence of heavy foreign demand. But the price of $3 a bushel has been reached by the market in the light of full knowledge and open public discussion of our export goal.

To meet the target set for this year requires real conservation on the part of the American people We are called upon to forego some measure of consumption of certain types of food to help relieve the hunger which will result from this year's tragic crop failures in Europe.

Fuel Imports Essential

Imports of fuel are necessary to the maintenance of economic activity as well as minimum standards of health in the recipient nations. Nearly 37% of the funds requested are ear-marked for the purchase of coal from the United States at approximately the level of allocations to the three nations for the months of November and December, and represents a continuation of the existing program for facilitating the shipment and equitable distribution of coal to Europe.

The aggregate monthly requirement of the three countries from the United States of 2,065,000 tons is substantially less than our exports of coal to these destinations in past months, and equals about 3.5% of our current production. Current coal exports to all overseas destinations are at the rate of 3,500,000 tons monthly, of which 3,000,000 tons are to Europe. Both of the figures reflect a reduction in our exports from those permitted in recent months. Total exports of coal during 1947 are estimated at 66,800,000 tons, including 23,700,000 to Canada.

Stocks of bituminous coal in the United States as of Oct. 1 were 53,800,000 net tons, an increase of 4% over the previous month. Meanwhile coal production, which has been hampered by shortage of coal cars, has risen to a higher level than had been previously anticipated. Output of bituminous coal during the four-week period ended Nov. 1 averaged 12,700,000 tons weekly, compared with a weekly average of 11,900,000 tons during the 12 weeks preceding. There is a tight supply situation in high quality and special purpose coals, and temporary spot shortages of other coals may develop due to a shortage of coal cars. The domestic situation is being carefully watched in connection with the establishment of export quotas.

The program for interim aid includes nitrogen fertilizer in the amount of $14,000,000. Such requirements represent less than 5% of the United States supply, but coming in the months when domestic demand is at a peak, such shipments would create a special problem. However, requirements can be met in part by shipments from other producing countries. Here I would like to emphasize the desirability of obtaining the maximum flexibility in arranging for procurement outside the United States so as to lessen the strain on the United States' economy in areas of short supply.

Fertilizer Shipments Needed

The justification for prompt dispatch of these requirements lies not only in the acute need for larger food production in the recipient countries, but also in the pressure on our own food supplies. Stoppage of fertilizer supplies during the war years resulted in serious depletion of the fertility of the soils of Europe. Each ton of fertilizer available to these countries during the spring months is estimated to make a twelvefold return in farm output. To the extent that interim requirements can be met, we could expect a decreased demand for food next season.

The $38,000,000 requirement for cotton can be met. This commodity is not under export control. I am not aware that any supply problem would be created by the requirement for $4,000,000 of medical supplies.

Although, as I have indicated, there are supply problems in some of the items, based on past experience and on the analyses which have been made, I feel confident that the requirements can be substantially met. In my judgment, the alternative to meeting them are such as vastly to outweigh the supply difficulties which they may present.

Action on the interim aid program which has been presented will preserve for the Congress the opportunity for mature deliberation on the permanent program for European recovery. I earnestly recommend the interim aid program to the consideration of this committee and the Congress.

Up to this point I have been talking about the short-run emergency problem of staving off an economic collapse in western Europe during the next few months.

The more fundamental problem of European reconstruction was considered by a nonpartisan committee of distinguished citizens appointed by the President last June 22 to advise him on the limits within which the United States might safely and wisely plan to extend economic assistance to foreign countries. I was chairman of this committee and participated in its discussions. The committee had the benefit of materials prepared by both government and private sources.

The function of the committee was to exercise a completely independent judgment after taking into consideration all relevant material and all points of view, and its conclusions were reached on that basis. It has recently completed its work and I have sent a copy of the report to the members of this committee and I would like now to offer it for the consideration of the committee.

The Outlook for the Stock Market

(Continued from first page)

buyers. This entire postwar section of the bull market was, in my opinion, unsound. During the break in the third quarter of 1946, it was reversed completely and average prices returned to their level of the late war days.

Much of the speculative sins of the entire preceding bull market were paid for in this 100% reversal of its tailend movement. The indecisive fluctuations since September, 1946 have continued the process of removing distortions within the market. We may, therefore, say that at this time the stock market is sound in internal structure. That means that it should be able to move for a substantial distance in either direction if business events should provide the motive power.

We are being told from various sides that the stock market is a prize purchase at this time on account of its low overall price-earnings ratio. I consider this as a misinterpretation.

Defects of Price-Earnings Ratios

For the year 1941, United States business chalked up earnings which were the second highest for any year in its history up to that time. During the quarter that these earnings were being published, the market average set a nine year low. Almost unprecedented earnings then were no reason for high prices. 1947 earnings may run 50% above 1941, but the market on the average now stands a full 100% above the 1942 low and the current price-earnings ratio is far less favorable than it was at the time, in 1942, when everybody was scared stiff to buy stocks.

Besides that, price-earnings ratios alone form no adequate standard for measurement of value. Circumstances should be considered. The value of earnings varies with their probable stability. The interest on a bond, which represents the earning power of that type of security, may be worth 50 for 1. Earnings on a highly speculative common stock may be generously paid for by a price ratio of 2 for 1, or even only 1 for 1.

Early in 1942, continuation of good earning power was underwritten for years into the future by the need for a prodigious war effort. Now we are in a business boom, and we must recognize that at the very best its duration is uncertain, and that at the worst it may collapse tomorrow. A dollar of earnings in 1942, therefore, was worth a good deal more than a dollar of earnings in 1947. On the basis of established earning power, I estimate stocks today to be about twice as expensive as around the bottom in 1942.

There is another angle to the price-earnings ratio feature of stocks. Early in the war, the stock market waited to ascertain how much damage Congress would do to earnings by tax laws, and this explains the unusually low price-earnings ratio of the 1942 days. From 1941 to 1946 business earnings declined gently and the top of this bull market, lo and behold, occurred during the period of lowest postwar earnings, caused by strikes and readjustment. The 1942-1946 bull market was perverse in that it moved contrary to earnings trend. It was abnormal.

Contrary to public belief, price-earnings ratios of broad averages of stocks **normally** reach their lowest level during boom tops, and their highest level at depression bottoms. At first sight, this may seem illogical and untrue, but if one recognizes that, at the point where business earnings become zero, the price-earnings ratio becomes infinitely large, the point becomes clear. We may, therefore, say that, except during periods of war distortions, overall low price-earnings ratios indicate impermanent boom conditions, and that an unusually low price-earnings ratio is a reason for liquidation, not for purchase.

Stock Market 'Internally Healthy'

We can sum up the preceding as follows:

The stock market is internally healthy. It can move back and forth in response to nothing more than mass moods, as in fact it has done now for more than a year, and it can move far in either direction at the hand of business events. It is, however, no prize bargain.

Business, now more than ever, changes with the condition of inflation or deflation in the economic body. The words inflation and deflation are publicly used in such loose fashion that, in order to determine what I am talking about, it is necessary to give three short definitions.

The **cause** of inflation is mental. A spirit of fear or of overconservatism, which forces a man to become a miser and to collect assets for the future to an extent that present living requirements are not properly provided for, is a deflationary attitude. Conversely, willingness to mortgage the future for the fulfillment of current pleasures and luxuries, represents an inflationary spirit.

Governments, which reflect in their spirit the mentality of the majority of their populations, also have deflationary and inflationary attitudes.

An inflationary mental disease originated in Europe in the 1890's. The governments of Russia, Austria and Portugal raised large foreign loans, which were traded as investments on the stock exchanges of Northwestern Europe, and the proceeds were used for government high-living. After the first World War, the inflationary spirit became rampant over large parts of Europe. In 1933 the disease jumped the ocean and attacked the United States. It is still with us. Just like an epidemic, in 1938 it recrossed the ocean and attacked Great Britain and Holland.

The inflationary sickness, the spirit of letting the future go hang for the purpose of satisfying immediate desires, is now a well-nigh world-wide phenomenon.

The **cause** of inflation, therefore, lies in the mind. The second aspect of inflation lies in the **actions** which come forth out of the mental attitude. When people and governments mortgage future income for present spending, and when they spend previous savings for current needs, they inflate. Saving, and paying off debt out of current income, are deflationary actions. The national state of inflation or deflation constitutes the sum of all inflationary and deflationary actions of individuals and government bodies together.

The third aspect of inflation and deflation lies in **the influence,** exerted by inflationary and deflationary actions, **on the price level.** We know that inflationary actions exert an upward pull on price levels, and deflationary actions exert a downward pressure.

The highest Federal quarterly deficit during the second World War was reached in the three months ending July, 1945. It ran at a rate of well over $60 billion per year. In the three months ending March, 1946, the government had a small surplus, the first since 1931. The speed of this transition was unprecedented. This vanishing deficit was replaced by business inflation, sufficiently fast that the inflationary upward pressure on commodity prices never relaxed. That was an all-time economic wonder. Washington economists, who knew how fast Federal spending would shrink, at the time expressed fear of large scale unemployment in the near future. Those people were not dumb. Their forecast was reasonable and logical. What was illogical was the course of events which prevented the forecast from coming true.

Since late 1945, we have lived under business inflation. The current merit of the stock market depends on the merit of the business situation as it exists today: are we, on a national basis, at this time sane and sound, or are we sick and silly? It is my firm conviction that the second is the case. I can best illustrate the point by comparing present national behavior with individual behavior.

I dearly would like to own an ocean-going yacht. I also would love to have a 2,000 acre ranch, together with enough working capital, outside of my business, to operate it in gentlemanly fashion. I would want to have this ranch quite near to New York, and to possess the necessary machinery to land me from the ranch to my office in about 10 minutes and without crowding. Now, those are genuine desires on my part and they would be well spent on me. I could enumerate a few more of the same ilk. My pocketbook, however, does not permit the fulfillment of desires of that scope. If, notwithstanding that, I start buying those things, observers will call me foolish and, rightly, predict a bad financial end for me. If the scale of my purchases beyond my capacity is large enough, my family will have me declared incompetent and the management of my own affairs will be taken away from me. If the scale of the purchases is very large, they will lock me up in a lunatic asylum.

Every person wants more things then his pocketbook permits. How far his desires go beyond his financial capacity depends on how much imagination he has. Adding up all these wishes in the people of the nation, there is at all times a genuine desire for at least 3 to 5 times as much as the nation can possibly produce. That does not matter at all as long as the people manage their affairs sensibly. In fact, these desires have a highly constructive influence because they lead to hard work and to inventions which endeavor to bring articles within the reach of more and more people.

The people of the nation, business and consumers together, can fly off the handle in the same manner as I can do it individually, as described above. In fact, and that is the point of my argument, business and consumers, after the war, have done just that.

At the end of the war, both groups had more meat on their ribs in the form of accumulated liquid assets, than they ever had had before. It was possible on a national scale to inflate enormously through the spending of previously accumulated savings, without anybody having to go into debt. Notwithstanding that, on top of all the spending of previously accumulated savings which actually occurred, outstanding business credit and consumer credit have risen since the end of the war at a rate which was a multiple of anything witnessed in the crazy 1920's. Towards the top of the 1929 boom, outstanding consumer credit rose at a rate of about a billion a year. Since the end of 1945 it has risen at the rate of nearly 3 billion a year. On top of that, non-farm home mortgages during the 18 months ending June, 1947 increased by over $7 billion. The performance is quite uniform because simultaneously outstanding business loans also have grown at record rates.

People Are Over Spending

On a national scale, people are buying things for which they have not got the money. That is destructive, although the people really want those things.

When I, individually, behave like an incompetent, the world does something about it to curb me. When the people of the nation, in the aggregate, behave in the same manner, they may, individually, still appear to be competent but the national behavior as a whole becomes flagrantly incompetent. The funny and sad part is that the producers of the nation experience this over-demand as prosperity and genuine shortage and they find reason in it for confident action in expanding.

If this kind of behavior could go on indefinitely, we would have to conclude that mass-madness was the shortest road to national paradise. It just isn't so. The reason is that there is a basic difference between government inflation and business inflation.

Governments have learned that, directly or indirectly, they can print their own money and that, when the total debt becomes too heavy for the nation to bear, the size of the money unit just shrinks through rising prices while the government can continue operating at a deficit. Government inflation tends to be self-perpetuating and self-accelerating and, except under the unusual circumstance of the ending of a war, it requires an elaborate and painful economic operation to stop it.

Business and the consumer, when they inflate, also use credit or previously accumulated savings but **their** resources of that type, unlike those of governments, are limited. Both forms of inflation cause rising commodity prices. These prices have a time lag behind the rate of inflation but somewhere they catch up. Then prices can be maintained only if the rate of inflation, which **created** that advanced price level, itself is maintained. That is easy under government inflation but under business inflation, it is impossible to continue it indefinitely. Therein lies the difference. Now comes the fundamental point: **prices start to fall** and the whole structure collapses, not when business inflation shrinks to zero but **as soon as the rate of inflation begins to shrink at all.**

The character of business inflation is that it is not only self-limiting but also self-reversing.

There is another feature which makes the present situation even more serious. The consumer who is abundantly credit-worthy, does not use consumer credit except in casual fashion and on a small scale. The large majority of consumers who go into debt are those people who should not contract debts at all. It is, therefore customary in cases of installment purchases and of store credits that the buyer must begin amortizing at once. With rising outstanding credits, deflationary repayments also rise. As total outstanding credit expands, the rate of new borrowings must advance more and more in order to keep the rate of expansion equal, because new borrowers must be found to offset these repayments on top of those other new borrowers which must keep the rate of expansion going.

Our domestic inflationary boom has been kept going by a **sequence** of factors: by reckless consumer buying, inflationary consumption by non-producing strikes, spending of previously accumulated savings by consumers for renovations in the home, spending by business for renovation, expansion and inventory replenishment and, finally, by a great export surplus. These factors still carry business along but to each there was, or is, a natural end.

For two years, everybody has been able to borrow to his heart's content. Whoever wanted to do so, could. Now, in the face of the fact that the opportunity to borrow has been right in front of people's noses all the time, will there be a sufficiently large and constant stream of **new** borrowers who are **willing** to go into debt?

The consumer is king. For a while there still may be such a stream of new borrowers, but the moment it fails the fat will be in the fire, because commodity prices will collapse.

We have been told by reputable economists that the present boom could lead to a gentle readjustment, followed by a period of sound business. That, with all due respect to these gentlemen, is just lack of understanding. We are out on a limb, further than ever before, and if our boom collapses, it will do it violently.

There is one possible alternative. Even as government inflation, without a gap, was replaced by business inflation, business inflation, once more, without a gap, could be replaced by government inflation. That would prevent the occurrence of depression in the near future. Whether or not such a thing is apt to happen during peacetime is a matter of judgment. My conviction is that politicians will **not** instigate large scale postwar government inflation until they are driven by unemployment of socially dangerous proportions or, in other words, by deep depression. In any event, such postwar government inflation cannot be put over on us unobserved. Congress has to legislate it. If it should occur, we would be able to see it in advance and act accordingly.

The existence of gigantic business inflation, of absolutely unprecedented proportions, is a fact. For reasons explained above, it is my conclusion that the nation, in the aggregate, now is not sane and sound but sick and silly. We are in a state of mass-madness.

A Gamble on Price Trends

The application of the foregoing to the stock market is clear. Business will keep going while the commodity price level remains level or rising, and it will collapse like a pricked balloon the moment the commodity price level breaks. Therefore, **stocks now constitute a gamble on commodity price trends.** Purchases made with the object of obtaining capital gains, which for tax purposes are long term, constitute a bet, pure and simple, that the commodity price level will remain intact for more than six months.

If, at this time, I were to propose to conservative investors that they take such a six-month bet on commodities direct, the majority would conclude that my mind had gone off its hinges. If, at this time, commodities aren't worth buying for a six months pull, then stocks are not either.

It is not possible to measure mass-madness with an accurate yardstick. The time of the forthcoming collapse, therefore, is uncertain. The timing may be influenced by a new factor which has entered the picture in the form of an odd seasonal fluctuation in Federal deficits and surpluses. During the three months period ending June, 1946, there was a Federal budgetary deficit at an annual rate of $14 billion. During the three months ending March, 1947, there was a surplus running at the rate of $13.4 billion. During the quarter ending June, 1947, there was a deficit again at the rate of $10 billion, and during the three months ending March, 1948, there will undoubtedly, once more, be a heavy surplus which may run at the annual rate of $15 billion or more.

Federal operations, therefore, presently are rocking the boat of inflationary pressure. The spread between maximum and minimum pressure from Federal operations amounts, on an annual basis, to more than $25 billion, and that is a large fluctuation. During the past year and a half, softening and hardening in the business picture has, with some time lag, followed these fluctuations. It is not at all

improbable that the next period of Federal deflationary surplus, in early 1948, will pull the trigger of the commodity price situation. If it is true that by now the time-lag between the price level and the rate of inflation has become small, it certainly will.

To an increasing degree, production factors also are entering the picture. After two years of postwar readjustment, improving coordination in business must bring increasing productivity. Also, it is not possible to keep on installing new production facilities at a record rate without some product from these new facilities reaching the consumer.

The production of both these classes of goods creates little additional buying power. Therefore, either such new goods largely have to be sold "on tick," on top of the other mountain of credit goods, or they will press upon, and finally, break, the commodity price structure.

Exports under the Marshall Plan, and under other emergency grants, are scheduled to be paid for out of taxes. Although they will produce an export surplus, and pressure on the price of individual commodities, they will produce no overall inflationary pressure on commodities but merely dislocation. That is more bearish than bullish.

A Specific Forecast

I will close this discourse by translating the arguments submitted into a specific stock market forecast.

From the short term angle anything may happen: the market will fluctuate with mass-moods. I lack means for measuring such moods and, consequently, abstain from engaging in transactions which constitute a bet on them.

If commodity prices should continue advancing or, at least, should keep on an even keel, a fair-sized medium term advance in the stock market would be possible in response to favorable earnings statements. If such commodity stability lasts long enough, the advance certainly **will** occur. To play for such an advance is dangerous. Events of the last 20 years have proven abundantly that dangerous profits, even if they should successfully be taken home, lead to the poorhouse. I don't want them.

The next contingency is not an if: it is a when. **When** commodity prices break, the stock market will take its cue at once and **flop.** That may happen at any moment.

Our present condition combines features of 1929 and 1920. If left to take its natural course, our forthcoming depression might well resemble 1932. If it did, the stock market would go to 1932 levels too.

It is obvious that our social fabric cannot stand a depression of such scope anymore. With the inflationary disease living prominently in our national mind, we know that, when business falls out of bed, Congress will step in and it will do it in the form of legislating permanent postwar government inflation on a gigantic scale.

Now, if we have a stock market which, on its own hook, might return to its 1932 low, but which somewhere will be saved by Congressional action, then it is extremely hazardous to guess at its probable bottom level. The following estimates are subject to revision in the light of subsequent events. In my opinion, irrespective of what level may be reached in the meantime, the Dow-Jones Industrial Average, **as a minimum,** will break through 140, in all probability through 130, and quite possibly it will go below 110. It has to be taken into consideration that the business collapse, when it comes, may be faster and more severe than I bargain for, and that even lower market levels may be reached. After all, we know that a great many businessmen don't expect mere shrinkage of earnings when commodity prices start to decline but an almost immediate transition to deficits.

A decline of this scope is well worth waiting for. Although it is hard on the soul and wearing on the patience, I recommend to be in cash, or to get into cash, and to **stay** in cash until the time is ripe.

Prices and Foreign Relief

(Continued from page 7)

with the $20 billion already spent, but as an investing partner to require policies as a condition of our participation which will increase production. Government action alone can do that. For government alone can provide good money—free prices and open markets which give men the incentive to work. Those conditions, however, should be made with full sympathy for the social and political aspirations of European peoples.

Would Force Increased Production in Britain

My personal opinion is that the place to start being tough in forcing increased production is in Britain. It is almost fantastic that France should be shipping her gold to the United States for the purpose of buying coal while Britain goes ahead on a five-day week in her coal mines. While Germany is the heart of Europe, I suspect that there never will be a sound solution of the European problem until Britain is straightened out. Also, I am convinced that Britain never will dig out under her present policies of short days and long week-ends.

It seems to me, therefore, that in offering to become a partner our government in advancing money should impose conditions of performance which really are tough from the point of view of production. I can see no conceivable reason why we should continue to provide funds for the perpetuation of governments which, by their policies, make it impossible to re-establish sound economic conditions within their countries.

Up to date we have repeated, on a much larger scale, our mistake after World War I when we wasted $6½ billion in uncontrolled advances to Europe in 1919-20. After the smash we made small loans under strict conditions which European nations accepted cheerfully and which set them going again.

As a partner in reconstruction of any country I believe we have the right to insist on the adoption of taxing policies that will get at the wealthy classes of Greece and France, for instance, which are hiding their money in this country. We have the right to insist on balanced national budgets which mean stabilized currencies.

Now, how much can the United States afford in the way of relief and rehabilitation, granting sound conditions are imposed in the granting of such help? My personal conviction is that we can afford all that is required for preventing starvation. But that we cannot afford one thin dime for the perpetuation of non-productive policies in the foreign countries. And that is exactly what we have been doing in the post-war years.

Krug Report Is Basic "Eyewash"

What I am saying, in other words, is that the Krug Report and all other such studies of that character are basic eye-wash. In general, the things which Europe is asking for are the very things in which we have shortages in this country. It is not a question of taking the total export figure and relating it to our gross national product. What one must do is compare what we are going to ship of a specific commodity in relation to our own situation. And, before we go too far, we had better keep in mind what already has been happening.

For example, one of the greatest shortages that we have had, which has had repercussion throughout our economy, has been a shortage of freight cars. Yet, during the first half of this year, we exported 41% of our total production of freight cars. During the first half of this year we exported 42½% of our total production of machine tools. In the same period we exported 21½% of all motor trucks. There are no over-all figures on steel, which is another great shortage in this country, but it is estimated by men who should be able to appraise this problem that when you consider both steel and the products made out of it that not less than one out of every five tons produced was sent abroad.

When we start talking about further grants of aid we need pretty seriously to sit down and ask how much more of the products in these fields we can afford without causing serious economic disturbance here.

Those are some of the facts which the Administration prefers to ignore. Nowhere is this more evident than in the report of the Council of Economic Advisers. That organization, just as the Krug Committee, necessarily would come up with the conclusion that this country can well afford any relief program which the Administration proposes. To do otherwise would mean a repudiation of Administration policy and that certainly was not to be expected. Everyone is familiar in the political field with investigations designed to whitewash the behavior of this or that bad actor. What is not so generally recognized, is that you can have exactly the same kind of white-washing on the ideological level, and that is what these two reports have attempted to do. I do not mean by this that they have used fraudulent statistics. All I mean is that they have made a selection of facts which enable them to draw the conclusions which they wanted. In other words, what they don't say is fully as important as what they do say.

There is another point which deserves emphasis. For 18 years the thinking of the Federal Administration has been dominated by those who want to spend money. That is still true. If reports are to be believed, President Truman last year passed the word along that every projected budget cut should be fought. At present the story is going around that Mr. Truman's new budget will be in the neighborhood of $40 billion. Since revenues are estimated at about $41 billion, this means there is no margin for reduction of the national debt or reducing taxes. In fact, we get the clear inference, even in the Nourse Report, that it will take good management to eliminate the necessity for still higher taxes.

More Government Economy Needed

Such a thesis at this time is simply incredible. A decent economy program on the part of the Federal Government could reduce total expenditures, not including foreign aid, to about $30 billion. With revenues of $41 billion, this would mean that there would be about $11 billion to be distributed between tax relief, payment on the public debt, and foreign aid. If the American public is not given tax relief in the face of this possibility it will mean that the Administration is deliberately attempting to hold a high level of expenditures and that it is willing to devise any kind of a program in order to prevent the public from getting tax relief. There is the basic cause of high prices.

It constantly is being said that we cannot afford tax reduction because that would be inflationary. When the government taxes money away from the public and then turns around and spends that money, which is what the Truman Administration is planning, all it means is that bureaucrats rather than the public spends the money. Certainly, it is no more inflationary to let a wage-earner spend his money than it is to have some bureaucrat take a part of his wage away and then the bureaucrat spends it. In fact, letting the public spend its money, instead of having it spent by the government is likely to be less inflationary because the public will spread its spending over a much wider area than the government may. Certainly, it would be less inflationary to leave with the American public an additional two or three billion dollars which they would spread over the entire field of production than it would be for the government to take this money and spend it on the relatively small list of items which will be purchased for foreign relief.

In the final analysis only the strictest economy — not regulations—on the part of the National Administration will solve our problems at home and abroad.

The Administration has in its hands the strings that affect America's interests throughout the world. It knows that if you pull one string it affects others. It has known for months that the present situation was developing. Yet, there is no agreement on policies in Administration circles.

The Secretary of Interior—the Secretary of Agriculture, the Secretary of the Treasury—the Secretary of State have all publicly disagreed. It has kept the ringmaster busy getting them back on their tubs.

Last week the Secretary of State doubled the estimate of other Administration spokesmen on the cost of the makeshift one-year stop-gap and hiked their ante considerably on the permanent plan.

We went through a war believing after it was over that all our complexities and difficulties would level off. They have not. That not only applies to our international situation, but to our domestic situation as well.

Domestic Black Markets

There is a black market in my business created by exporting material we needed at home. You read in the newspapers of a threatened shortage of oil. There would be more wells drilled and more oil produced if it were possible to get the steel pipe to case those wells with. There is a black market in steel pipe which ranges as high as three times the established market price. The same situation exists in newsprint. A friend of mine—a publisher of one of our small Kansas dailies—said to me last week that he needed an additional amount of newsprint to enable him to increase his circulation and take additional advertising to offset his increasing cost. He is unable to obtain it in the regular channels. He was offered a carload of newsprint, however, at three times the established price.

There is a subject that calls for a sweeping and thorough Congressional investigation or activity by our Justice Department. Some authority with the power of subpoena should go into the steel industry and the newsprint industry and find out why it is that they are unable to supply their established customers at established prices when black market operators are able to get their hands on oil-well casing and newsprint. That is a very real problem. Costs are going up all the time. The only way the small independent oil producer or the small publisher can stay in business is to increase his output.

Today, he is absolutely limited and fenced in. The restriction laid upon him at this time is simply that he cannot obtain enough of the commodity necessary to the conduct of his business to provide a volume that will absorb all of his heavily increased and increasing cost.

It is a proper function of government to throw a sheltering arm around us by giving relief on something we can't do anything about ourselves. That sheltering arm is to use all the power of government to clear up all this disgraceful and organized black market situation. Government should do that for the businessman of this country rather than continually seek to limit his own activities by government regulations and rules interpreted by bureaucrats far beyond the intent of Congress.

If the Justice Department does not move promptly and vigorously on that black market situation, a Congressional Committee should forthwith issue subpoenas for those offering newsprint and oil-well casing at three times their established price, and find out how they got hold of these commodities to sell. They also should subpoena the heads of the steel companies, the heads of newsprint manufacturing companies, the jobbers and others guilty of similar practices, to find out how this pipe, how this newsprint and how these other articles get into the hands of black market operators instead of their regular customers. There is only one place these black market operators can get that pipe and that newsprint or any other of the widening black market commodities. That is from the manufacturers. That is true of every other product in America today of which there is a black market, and there are many of them, including all kinds of farm machinery.

We are learning the hard way the lesson of history that the mismanagement of the making of peace can destroy the conqueror as well as the conquered.

Labor Problems Subject Of Brooklyn Chapter (NACA) Meeting

The Brooklyn Chapter, National Association of Cost Accountants held its regular monthly meeting on Wednesday, last, at Michel's Restaurant, Brooklyn, New York.

Following a dinner, Mr. Ben F. Lickey, Management Consultant on employee relations, collective bargaining and personnel administration of the Brooklyn Chamber of Commerce, discussed the subject of "Current Labor Problems and Their Effect on Costs."

Mr. Lickey was engaged in personnel relations work with Colt's Fire Arms Manufacturing Co., Ranger Aircraft Engines Co., The National Metal Trades Association and the National Electrical Manufacturers Association, prior to his joining the Brooklyn Chamber of Commerce. Mr. Lickey devoted a large part of his address to the Taft-Hartley Law and its direct influence on future labor problems.

In his position with the Brooklyn Chamber of Commerce, Mr. Lickey supervises the consultative services of that body with various representatives of industry on such subjects as personnel practices, contract negotiations, bargaining techniques, preparation of union contracts, management engineering problems, development of management representatives in personnel matters and negotiations with governmental labor agencies.

Mr. Raymond C. Morse, Director of Taxes and Insurance of the American Machine and Foundry Co. and President of Brooklyn Chapter, National Association of Cost Accountants, presided at the meeting.

Truman Links European Aid to Inflation Controls

(Continued from page 2)

program is the result of the combined efforts of thoughtful men of two continents whose concern has been the most effective manner in which 16 European nations, Western Germany and the United States can work together for European recovery, world prosperity and lasting peace.

It is a tribute to the strength of our democracy that we are able to make so great a contribution to the freedom and welfare of other nations and other peoples. This nation is strong both in material resources and in the spirit of its people. Our economic strength, born of our system of free institutions, has contributed to raising the standard of living the world over. Our moral strength, resulting from our faith in human rights, is the inspiration of free men everywhere.

I refer to the strength of this nation with humility, for it is an awe-inspiring truth that the manner in which we exert our strength now, and in the future, will have a decisive effect on the course of civilization.

This is a truth whose significance grows with the experience of each passing day. The American people are becoming more and more deeply aware of their world position. They are learning that great responsibility goes with great power.

Our people know that our influence in the world gives us an opportunity—unmatched in history—to conduct ourselves in such a manner than men and women of all the world can move out of the shadows of fear and war into the light of freedom and peace.

We must make the most of that opportunity.

For we have learned, by the costly lesson of two world wars, that what happens beyond our shores determines how we live our own lives. We have learned that, if we want to live in freedom and security, we must work with all the world for freedom and security.

Human misery and chaos lead to strife and conquest.

Hunger and poverty tempt the strong to prey upon the weak.

Twice within this generation we have had to take up arms against nations whose leaders, misled by the hope of easy conquest, sought to dominate the world.

Guide to Peace

We are convinced that the best way to prevent future wars is to work for the independence and well-being of all nations. This conviction guides our present efforts, and will guide our future decisions. We have participated fully and gladly in the growth of the United Nations and we seek now to strengthen and improve it. We are assisting free nations who have sought our aid in maintaining their independence. We have contributed large sums to help rebuild countries devastated by the war. We have taken the lead in breaking down barriers to world trade.

In our efforts, however, to achieve the conditions of peace, we have encountered unforeseen and unwelcome obstacles.

We have found that not all nations seem to share our aims or approve our methods. We regret the differences which have arisen and the criticisms so loudly expressed. And yet we cannot afford, and we do not intend, to let current differences with some nations deter our efforts to cooperate in friendly fashion and to assist other nations who, like us, cherish freedom and seek to promote the peace and stability of the world.

The actions of this government must be of a stature to match the dignity and influence of the United States in world affairs. The prompt provision by the Congress for interim aid will be convincing proof to all nations of our sincere determination to support the freedom-loving countries of Western Europe in their endeavors to remain free and to become fully self-supporting once again.

If that action is followed by the enactment of the long-range European Recovery Program, this Congress will have written a noble page in world annals.

I have spoken of the economic and moral strength of the United States and of the way in which we must use that strength if we are to build a world community of free, strong and independent nations.

The strength of the United States is not due to chance. It is due to the wise decisions and bold actions taken by free and courageous men throughout the history of our democracy.

The time is at hand for new decisions and new actions of equal wisdom.

On several occasions during the past year I have reported to the Congress and to the Nation on our general economic situation. These reports have told of new high levels of production and employment. Farmers are producing 37% more than in 1929. Industry is producing 65% more. In terms of actual purchasing power, the average income of individuals, after taxes, has risen 39%. The rapid growth of our post-war economic activity has exceeded expectations and has revealed anew the potentialities of our economy.

In each of my reports, however, I have had to warn of dangers which lay ahead.

Inflation Getting Worse

Today, inflation stands as an ominous threat to the prosperity we have achieved. We can no longer treat inflation—with spiraling prices and living costs—as some vague condition we may encounter in the future. We already have an alarming degree of inflation. And even more alarming, it is getting worse.

Since the middle of 1946, fuel has gone up 13%; clothing prices have gone up 19%; retail food prices have gone up 40%. The average for all cost of living items has risen 23%.

The housewife who goes to buy food today must spend $10 to buy what $7 bought a year and a half ago.

The cost of living is still climbing. In the past four months it has risen at a rate of 16% a year.

Wholesale prices are rising, too. They affect every industry and trade, and they are soon translated into retail prices.

Since the middle of 1946, wholesale textile prices have gone up 32%; metals have gone up 36%; building materials have gone up 42%. Wholesale prices on the average have gone up 40%.

Effects of Price Inflation

The harsh effects of price inflation are clear. They are felt by wage earners, farmers, and businessmen. Wage earners are finding that bigger pay checks this year buy less than smaller pay checks bought last year. Despite generalities about high farm prices, the income of many farm families cannot keep up with the rising costs of the things they buy. Small businessmen are being squeezed by rising costs. Even those who are well off are asking, "How long can it last? When is the break coming?"

In addition, price inflation threatens our entire program of foreign aid. We cannot abandon foreign aid, nor can we abandon our own people to the ravages of unchecked inflation.

We cannot allow the strength of this nation to be wasted and our people's confidence in our free institutions to be shaken by an economic catastrophe. We shall be inviting that catastrophe unless we take steps now to halt runaway prices.

Our immediate approach to the problems of high prices and inflation should consist of three types of measures: One, to relieve monetary pressures; two, to channel scarce goods into the most essential uses; three, to deal directly with specific high prices.

One way to reduce monetary pressure is by restraining the excessive use of credit. At a time when the economy is already producing at capacity, a further expansion of credit simply gives people more dollars to use in bidding up the prices of goods.

Would Restore Credit Curbs

Consumer credit is increasing at a disturbing rate. The amount outstanding has risen from six and one-half billion dollars in 1945 to more than eleven billion dollars today. Even more rapid expansion is under way now, because the controls on consumer credit exercised by the Federal Reserve System expired November 1. These credit controls should be restored. Also, some restraint should be placed on inflationary bank credit.

Legislation is required, moreover, to prevent excessive speculation on the commodity exchanges.

Another effective weapon against inflation is increased savings by the public. Every dollar that is saved instead of spent is a dollar fighting against inflation. In order to encourage additional savings, the Government should intensify its vigorous efforts to sell savings bonds.

Urges Allocation of Scarce Commodities

The second part of the program to curb inflation is to secure the most efficient use of scarce goods and otherwise channel their flow so as to relieve inflationary pressures. Grain, for example, is too badly needed to permit wasteful feeding to livestock. Steel, as another example, is too scarce to be used for non-essential purposes.

Legislation is required to authorize the allocation of scarce commodities which basically affect the cost of living, or basically affect industrial production. In these limited areas inventory control powers are also needed.

Authority to allocate transportation services should be extended.

In addition, existing export controls should be continued and strengthened. Goods that we cannot wisely export must be kept here, and the shipments we make must go where they are needed most. Profiteering in exports must be prevented.

The measures which I have already discussed will, when taken together, aid substantially in relieving inflationary pressures. For large segments of the economy, they should be adequate to meet the requirements of the present situation. However, there are limited areas of acute danger in which these measures cannot be regarded as guaranteeing adequate protection.

For example, present forecasts indicate that we are likely to have less grain and meat next year than we have had this year. The pressure on the prices of these foods would then become increasingly great. If these pressures are permitted to bring further sharp increases in food prices, they may well set off a chain reaction that would spread throughout the economy. It is surely better to take timely action to check adverse forces at particular trouble spots than to wait until general inflatoin has become so serious as to require drastic controls over our whole economic life.

Urges Price Ceilings

Therefore, we need a third group of measures to combat inflation. Legislation should be enacted, authorizing the government to impose price ceilings on vital commodities in short supply that basically affect the cost of living. Basic elements in the cost of living are food, clothing, fuel and rent. In addition, the legislation should be broad enough to authorize price ceilings on those vital commodities in short supply that basically affect industrial production. This will enable us to stamp out profiteering and speculation in these important areas.

This does not mean that price ceilings should be imposed on all items within the classes I have mentioned. For example, price ceilings would not be necessary for staple food and clothing items not in short supply or for any delicacies or luxuries. The same principle of selective treatment would apply to industrial items. This selective treatment of a relatively few danger spots is very different from over-all wartime price controls.

Consumer Rationing Essential

Even should the shortages of a few commodities at the consumer level remain serious for a time, I believe that the fair distribution of such commodities can be largely accomplished without consumer rationing. But no one can foretell exactly how serious some shortages may become next year. With serious shortages, a free market works cruel hardships on countless families and puts an unbearable pressure on prices. I therefore recommend that authority be granted, as a preparedness measure, to ration basic cost of living items on a highly selective basis.

Adequate protection from high prices and unfair distribution can be assured only by establishing authority for price ceilings and rationing in fields of critical importance. It takes several months to set up an organization and make the administrative arrangements necessary to put price control and rationing into effect. Thus, the only prudent course is to establish the authority at this time so the necessary preparations can be started. If we fail to prepare and disaster results from our unpreparedness, we will have gambled with our National safety—and lost.

Seeks Wage Controls

If the government imposes price ceilings covering a specific area of production, it should in all fairness have the authority, in that same area, to prevent wage increases which will make it impossible to maintain the price ceilings. This authority should be granted, although I believe that there would be few occasions for its use.

I am confident that if the cost of living can be brought and held in reasonable relationship to the incomes of the people, wage adjustments through collective bargaining will be consistent with productivity and will avoid an inflationary round of wage increases.

Extend Rent Control Law

Next to food, the most important element in the cost of living is rent. Under the modified rent control law, rents are rising at the rate of about 1% a month. A 12% annual increase in rents imposes an intolerable strain upon the family budget. The rent control law should be extended and the weaknesses in the present law should be corrected.

I am well aware that some of my proposals are drastic measures. No one regrets more than I the necessity for considering their use. But if we face the facts squarely, it is apparent that no other methods can safely be counted upon to protect our people from the dangers of excessively high prices and ruinous inflation.

The American people want adequate protection from these dangers and they are entitled to it. It should not be denied them. Nor should they be misled with half measures.

Even with the authority to impose price ceilings, the government will intensify its efforts to obtain voluntary action. Wherever voluntary action will do the job there will be no necessity to impose the government's authority. But the very existence of these powers should have a salutary effect. They will demonstrate to each of our citizens the importance of carefully weighing each step that might lead to higher prices. They will support expanded and more specific efforts to obtain voluntary action by businessmen, labor leaders, farmers and consumers to hold prices down.

All the actions I have described are essential to a fair and effective anti-inflation program. I look upon them as short-run insurance against the impairment of our prosperity and the threat to our future development.

Cites Danger Confronting Nation

We should all ponder these questions:

What would it avail the farmer, in the long run, if farm prices should go substantially higher only to be followed by a disaster such as occurred after the first World War?

What would it avail the worker, in the long run, to obtain inflationary wage increases, if they were followed by a repetition of the bitter experience when 15,000,000 workers were out of jobs?

What would it avail the businessman to have record-breaking profits soar even higher if they were followed by a depression which would imperil our whole system of enterprise?

The program which I have outlined is one designed to meet the existing emergencies of inflation and exorbitant price levels. It is an emergency program which should be adopted to protect our standard of living for the immediate present and to make possible economic security in the future.

But a program designed to meet a crisis cannot by itself be a program designed to build for the future. We must also make plans to prevent future difficulty of the same nature.

Our long-range programs must stress ever-increasing production.

To accomplish this for agriculture, we need a comprehensive farm program. We shall need programs to increase the use of farm products by industry and consumers in this country when other countries become more nearly self-sufficient. Long-range national measures will be needed to protect the farm population against ruinous deflation in farm production and prices.

To expand industrial output, we need a long-range program to overcome basic shortages in capacity and equipment. To provide markets for increased outout of farm and factory, we shall need long-range programs to raise the standard of living, particularly for families of low income.

But the first step toward this progress in the future is to deal with the critical present. We must win the battle against inflation, so that our long-range efforts may start from high levels of prosperity and not from the depths of depression.

Offers Anti-Inflation Program

In summary, the immediate anti-inflation program that I recommend calls for the following legislative action:

One—To restore consumer credit controls and to restrain the creation of inflationary bank credit.

Two—To authorize the regulation of speculative trading on the commodity exchanges.

Three—To extend and strengthen export controls.

Four—To extend authority to allocate transportation facilities and equipment.

Five—To authorize measures which will induce the marketing of livestock and poultry at weights and grades that represent the most efficient utilization of grain.

Six—To enable the Department of Agriculture to expand its program of encouraging conservation practices in this country and to authorize measures designed to increase the production of foods in foreign countries.

Seven—To authorize allocation and inventory control of scarce commodities which basically affect the cost of living or industrial production.

Eight—To extend and strengthen rent control.

Nine—To authorize consumer rationing on products in short supply which basically affect the cost of living.

Ten—To authorize price ceilings on products in short supply which basically affect the cost of living or industrial production and to authorize such wage ceilings as are essential to maintain the necessary price ceilings.

Warns of Depression Danger

If we neglect our economic ills at home, if we fail to halt the march of inflation, we may bring on a depression from which our economic system, as we know it, might not recover. And if we turn our backs on nations still struggling to recover from the agony of war, not yet able to stand on their own feet, we may lose for all time the chance to obtain a world where free peoples can live in enduring peace.

The freedom that we cherish in our own economy and the freedom that we enjoy in the world today are both at stake.

I have recommended interim aid for certain Western European countries and a program to curb inflation in the United States. I regard the measures which I have presented to you as vital and essential to the welfare of the nation.

When the American people have faced decisions of such magnitude in the past, they have taken the right course.

I am confident that the Congress, guided by the will of the people, will take the right course on this occasion.

Business Man's Bookshelf

Assistance to Greece and Turkey, First Report to Congress, for the period ended Sept. 30, 1947—Department of State—for sale by the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.—paper—20¢.

Money—A primer for all ages revealing the facts concerning inflation, cost of living, and that illusive condition known as prosperity—Fred G. Clark and Richard Stanton Rimanoczy—D. Van Nostrand Co., Inc., New York City—cloth—$1.75.

Ohio Business Data in Charts and Tables (1926-1945 with 1946 Supplement)—Sam Arnold and James C. Yocum—Bureau of Business Research, The Ohio State University, Columbus, Ohio — paper.

With Herrick, Waddell Co.

(Special to The Financial Chronicle)

FREMONT, NEB.—Lillian L. Larson and Daisy A. Motter are now connected with Herrick, Waddell & Co., Inc., New York investment firm.

The State of Trade and Industry

(Continued from page 5)

specific steel products almost wrecked the postwar recovery distribution picture.

While steel shortages today—when measured against demand —appear greater than at any time since the war ended, the simple reason for this situation is that coal strikes and other stoppages caused heavy losses in steel production.

The voluntary quota system inaugurated by practically all steel companies is not perfect. But according to information obtained over a wide front by "The Iron Age" most steel consumers believe it to be the best practical approach until supply and demand are in better balance.

There is no situation today in the domestic steel picture which calls for domestic allocations of steel output, states the magazine. If any restrictions are placed on steel production at all they must include all products.

Any attempts to place ceilings on steel products without comprehensive safeguards against higher wage and material costs would eventually react against higher steel production. Steel firms already are struggling with high maintenance and construction costs in order to increase their capacities. Without some margin of profit to draw from it would be impossible to keep present equipment in its most efficient state to say nothing of adding new capacity, the above trade authority notes.

To say that there was not a fair-sized black market in steel during the war is to fail to recognize the facts. The current gray market while representing only 5% of total steel output could form a firm foundation for a flourishing black market if strict price controls were put into force.

In the face of threats of controls and restrictions it appeared this week that steel firms had definitely won their first round in the battle to depress scrap prices. While the Chicago district was the only one to register a specific drop in the average price of heavy melting steel some other areas were poised for a slightly downward trend. Practically all scrap consumers this week have flatly refused to place any more orders at recent high levels. This unanimity of action has already caused some consternation in scrap circles and in some cases a fear that the market might experience a sharp downward trend. This view is by no means uniform, however. "The Iron Age" scrap composite this week is down 25¢ a gross ton to $41.25 a gross ton because of a drop in Chicago.

The American Iron and Steel Institute announced on Monday of this week the operating rate of steel companies having 94% of the steel-making capacity of the industry will be 97% of capacity for the week beginning Nov. 17, 1947. This compares with 96.9% one week ago, 97.1% one month ago and 91.4% one year ago. Current operations represent an increase of 0.1 point or 0.1% from the preceding week.

The week's operating rate is equivalent to 1,697,400 tons of steel ingots and castings compared to 1,695,700 tons one week ago, 1,699,200 tons one month ago and 1,610,800 tons one year ago.

RAILROAD FREIGHT LOADINGS AGAIN SHOW A SEASONAL DECLINE FOR LATEST WEEK

Loadings for the latest week Nov. 8, 1947, totaled 910,160 cars, according to the Association of American Railroads. This was a decrease of 30,586 cars below the preceding week due to the seasonal decline in freight traffic. They also represented a decrease of 3,185 cars, or 0.3% below the corresponding week in 1946, but an increase of 71,942 cars, or 8.6% above the same week in 1945.

ELECTRIC OUTPUT HITS NEW ALL-TIME HIGH

The amount of electrical energy distributed by the electric light and power industry for the week ended Nov. 15, 1947 was 5,084,340,000 kwh., a new all-time record figure, according to the Edison Electric Institute. This compares with the previous high of 5,057,455,000 kwh., reached in the preceding week, and was 8.2% in excess of the 4,699,935,000 kwh. produced in the corresponding week of last year.

AUTOMOTIVE PRODUCTION APPROACHES POSTWAR RECORD

Automotive output last week reached the second highest mark of the postwar period when an estimated 108,235 units were turned out in United States and Canadian plants, according to "Ward's Automotive Reports."

In the comparable week of 1946 a total of 94,425 cars and trucks was produced, and in the same week of 1941 output was 96,990. Last week's revised total was 106,651. The postwar peak figure eight weeks ago was 109,734.

Last week's total was attained in spite of the fact that Ford has suspended truck operations for a changeover to new models and Packard closed on Thursday noon of last week because of a one-day walkout at Briggs Manufacturing Co., its body supplier.

BUSINESS FAILURES SHOW HIGHER TREND

A sharp increase occurred in commercial and industrial failures in the week ending Nov. 13, with the number of concerns failing reaching the highest level in any week since May of this year, reports Dun & Bradstreet, Inc. A total of 84 concerns failed, as compared with 72 a week ago and 28 in the corresponding week of 1946.

Two to three times as many failures were reported last week as in the like week of any of the preceding four years. Nevertheless, failures remained far below the prewar 1939 level when over 300 businesses failed in the comparable week of that year.

Three-fourths of the week's failures had liabilities of $5,000 or more totalling 66 as compared with 59 last week. They were over two and a half times as numerous as a year ago. Small failures with losses under $5,000 numbered 18 as against 13 in the previous week, reflecting a very sharp rise from the same week of 1946 when only four failures occurred.

Manufacturing and retailing had about an equal number of failures in the week just ended, while retail failings totaled 32 and accounted for most of the increase in the week's total.

WHOLESALE FOOD PRICE INDEX UP 1.5% IN LATEST WEEK

A general stiffening of food prices last week following a fortnight of steadiness resulted in a sharp rise in the Dun & Bradstreet wholesale food price index to $4.89 on Nov. 11, from $6.78 on Nov. 4, an increase of 1.6%. The current figure contrasts with $6.29 on the corresponding 1946 date, a gain of 9.5%.

DAILY WHOLESALE COMMODITY PRICE INDEX SLIGHTLY HIGHER

Although continuing to move in a narrow range, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., edged slightly higher in the latest week, closing at 289.17 on Nov. 10. This compared with 288.45 on Nov. 3, and with 235.34 for the corresponding date a year ago.

Activity in grain futures on the Chicago Board of Trade last week fell sharply to the lowest level for some time. The decline in volume largely reflected cautiousness on the part of traders pending the reconvening of Congress in special session on Nov. 17. Wheat closed slightly higher following early weakness, aided by continued lack of needed moisture in southwestern winter wheat areas, and further government buying of wheat for export, although at a much slower pace. Strength in corn resulted from buying induced by wet weather over much of the corn belt which hindered picking and delayed movement of the new crop. Although domestic flour business was only fair, the market was featured by a resumption of export activity following issuance late the previous week of December allocations. Oats prices averaged higher in sympathy with strength in other grains. Price trends in leading livestock markets were mixed. Hogs declined more than $1 per hundredweight to the lowest since early June, under the influence of greatly increased seasonal market receipts. Steers advanced moderately.

Cotton prices were firm and moved within a narrow range during most of the period but advanced sharply on Monday of this week, influenced by a smaller-than-expected government cotton crop estimate, coupled with the belief that requirements for European relief will exceed earlier predictions.

Spot prices at New York showed a rise of 123 points for the week, as against a net loss of 65 points in the preceding week. The October report of the Census Bureau forecast this year's cotton crop at 11,505,000 bales, a drop of 3.000 bales from the September estimate.

There were some reports that farmers were not selling as freely as in recent weeks although very little cotton was reported to be entering the government loan.

In the Boston raw wool market, a fairly good volume of business was reported in fine and half-blood wools as the result of recent changes in CCC selling prices, but very little activity developed in medium wools, although prices were sharply lowered in these grades. In foreign wool auctions, prices continued to trend upward. An auction sale of foreign and domestic wools will be held in Boston on November 13.

RETAIL AND WHOLESALE TRADE HIGHER FOR WEEK AND YEAR

A moderate increase in consumer buying was reported last week with retail volume moderately above that of the corresponding week a year ago. The stores were well patronized on the Armistice Day holiday despite inclement weather in some areas. Many people started their Christmas shopping. Consumers continued to be selective in their purchasing and interest centered on moderately priced goods, according to Dun & Bradstreet, Inc. in its current survey of trade.

The buying of food continued to be substantial. The consumer appeal for staple and medium-priced foods was reported to have increased and insistence for top grade diminished somewhat.

The advent of cold weather stimulated consumer interest in heavyweight clothing. Women's coats and suits were popular and the buying of furs improved.

Toy stores were crowded last week with pre-Christmas shoppers. Some mechanical toys were difficult to obtain. The demand for radios declined somewhat although promotional sales continued to be prevalent. Good quality furniture and floor coverings were in steady demand and paints, light hardware and building supplies were heavily purchased.

Retail volume for the country in the period ended on Wednesday of last week was estimated to be from 8 to 12% above that of a year ago. Regional estimates exceeded those of a year ago by the following percentages: New England 6 to 10, East and Middle West 7 to 11, South 4 to 8, Northwest 8 to 12, Southwest 13 to 17 and Pacific Coast 5 to 9.

Retailers continued to enlarge their stock with wholesale volume in the week moderately above the level of the previous week and well in excess of that of the corresponding week a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Nov. 8, 1947, increased by 10%, from the like period of last year. This compared with an increase of 13% (revised figure) in the preceding week. For the four weeks ended Nov. 8, 1947, sales increased by 8% and for the year to date increased by 8%.

Yuletide buying got off to an early start here in New York the past week and served as a stimulus to retail trade. Gains, according to reports, however, were narrower than in preceding weeks.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period to Nov. 8, 1947, increased 5% above the same period last year. This compared with an increase of 38% (revised figure) in the preceding week. In using year-ago comparisons for the above weeks allowance should be made for the fact that in the cities of New York and Newark work stoppages in the trucking industry prevailed. For the four weeks ended Nov. 8, 1947, sales increased 22% and for the year to date rose by 10%.

As We See It

(Continued from first page)

Congress on the subject, has threaded his way with care in, if not through, this morass.

We as a people must now make up our minds. We must decide, first of all, not as between this or that plan, between this or that degree of generosity, or between this or that mode of procedure. We have not yet come to grips with the fundamentals of this situation, and it is precisely this that we must do forthwith. Until this step is taken, any effort to formulate a "program of action" as the politicians are (since the days of Franklin Roosevelt) so fond of saying can but lead to confusion and disappointment.

The first decision the American people must make is whether they want to go into any postwar Lend-Lease arrangement at all. Let us not deceive ourselves. That is precisely what the Marshall Plan and related proposals come down to. It matters not if the amounts now suggested fall short of the net volume of Lend-Lease shipments. The amounts now requested, measured by peacetime standards, must be regarded as being fully as large as, if indeed not larger than, Lend-Lease costs during the entire war period. They are, of course, much greater than Lend-Lease was originally expected to be.

The Dollar Sign

No one in authority has as yet so far as we know said that what we are planning to do will "take the curse of the dollar sign off" the procedures proposed, but it is, of course, quite obvious that we need expect no return of consequence from the outlays in behalf of foreign peoples now demanded. Indeed, in the circumstances it would be surprising if the ratio of "return Lend-Lease" this time was nearly as great as before. This is charity that is being asked of the American people, charity on a scale never dreamed of before in human history—charity, that is, unless there are compensations of an order quite different from ordinary repayments.

The first question is: Do we want to go into this business at all? It is a real question. It can not be dismissed with a slurring query as to whether the inquirer wishes to go on record as "opposed to the Marshall Plan"—as if that plan (if it has as yet really become a plan) were sacrosanct and as if opposition to it were a crime of which any one should be ashamed and for which he should be ostracized. We have here something vastly greater and quite different from an appeal to the generosity of the American people in behalf of suffering humanity plunged into woe through no fault of its own and cut off from self-help by circumstances beyond its control—different both in its essential nature and in the magnitude of the contributions asked. No one need be ashamed of doubts about the wisdom of these proposals or timid about making his doubts known.

In reaching a decision on this question, the rank and file must take pains to inform themselves precisely what is involved. They must not permit themselves to be deceived by ratios of funds demanded to total funds expended during the war, or even to total "national income" now being earned by the people of this country. What is involved here is not money, but goods. Foreign peoples are said to be in need of farm machinery. So are we. It is highly doubtful if we can make as many tractors and other farm implements as our own farmers want to buy in the next year, possibly for a considerably longer period. Foreigners are short of wheat. The needs as computed by the "experts" exceed our ability to meet. Unless the American people are willing to forego eating as much wheat, and possibly as much meat, poultry, eggs, dairy products, and the like (things dependent upon wheat in existing circumstances) as they have been consuming we can not even come near what is asked of us.

Unavoidable Prerequisites

In fine, there is no way of giving full effect to the plans for foreign aid now apparently in favor in official circles without making it impossible for the rank and file of the American consumers to have as many houses, as many automobiles, as much to eat, and as much of a good many other things as they otherwise would be able to enjoy. Neither would it be possible for American industry to proceed with as much speed to equip itself for larger production of better things for more abundant living. Unless the American people generally understand this simple fact and can be persuaded to hold a substantial portion of their "purchasing power" idle meanwhile, attempts to give effect to these super-ambitious plans of foreign aid can not fail to result in continued severe upward pressure upon prices of dimensions certain to bring untoward results—among them a great enlargement of the cost of foreign aid—and neither rationing nor price-control nor both would prevail against the tide.

Now, the American people, if they are realistic about it all, will when they are arriving at a decision in these matters, very pointedly ask themselves what is to be gained by all this generosity and self-sacrifice. It is being supported by about the same line of argument (mutatis mutandis) that was employed to sell the Lend-Lease idea to the American people. Then we had to defend ourselves against the encroachment of totalitarianism and tyranny embodied in the Fascist and Nazi forms of social, political and economic organization found in Germany and Italy, and threatening to spread over the surface of the earth with the help (later) of the Japanese. With the assistance of another totalitarian state fully as determined and as ruthless as any of our enemies we along with other "democratic" countries destroyed the regimes in Germany, Italy and Japan—but totalitarianism, tyranny and a proselyting imperialism still stalk abroad.

We must, so it is said, start all over again to subsidize, (to avoid, for what reason we do not know, the word bribe) the larger part of the remainder of the world to help protect ourselves from this same old ideological monstrosity, totalitarianism and its fellow travelers. The American people will want, we are sure, to ask, as they should have asked all through the war propaganda years, whether ideologies can be combated in any such way. They will likewise want to know whether, if we must combat Russia in neutral countries, we are proceeding in the most effective way. When such questions have been decided, and only when they have been decided, can we proceed with the details.

The Imponderables in The Marshall Plan

(Continued from page 4)

country might "safely and wisely" send to Europe.

Over-Optimism Over Our Potential

One result of this examination was to find that, as is natural, the 16 countries at Paris had been over-sanguine as to the goods that are likely to be available in the United States for export. It is very difficult for a European who visits our country and sees it overflowing with milk and honey to realize that there are any limitations on our capacity. But the Harriman Committee found that at the present time there are few areas in our economy where we have a surplus. The situation is taut, and whatever we send abroad has to be squeezed out. We ought to do some squeezing, but squeezing involves some very difficult questions of how far we ought to go on priorities, or allocations, or other controls. Such action runs the risk of knocking the economy off balance, and interfering with the life-giving flow of production.

Looking carefully into each of the commodities involved, the Committee found that, for example, we just don't have two million tons of steel scrap to send abroad each year; that the Paris estimates assume our sending abroad in four years three to four billion dollars worth of food more than we are likely to have. Also some of the Paris requirements are larger than we believe these countries can digest in four years. Going through the whole range of commodities you have to cut the Paris estimates by a number of billions of dollars.

Over-Optimism Over Their Potential

But when you start cutting it works both ways—if the Paris estimates were wrong in assuming more imports than they can safely count on getting here, we must also examine their estimates of their own exports; their assumptions as to price changes, and so on. When you do this you find that the Paris experts were a bit optimistic in their estimates of what these 16 countries could produce and export; that they may have been optimistic in their assumption that the prices of goods they imported would decline, and also about the convertibility into dollars of currencies that they may earn by exporting goods to the East.

It was out of a composite of all these statistical and economic judgments that the Harriman Committee made its estimate that the foreign aid program would cost the United States something like $12 to $17 billion.

By fixing such a broad range the Harriman Committee showed its conclusion that these large figures with which the newspaper headlines have had such fun are very uncertain figures. In fact, the Committee stated definitely that no one was wise enough at the present time to determine just what the foreign aid program would cost us for the next four years. We decided that our main task was to recommend a method by which the mandate of the Committee to determine what could safely and wisely be sent abroad would be passed on to operating bodies which might make that decision from year to year when the evidence was more reliable. We, therefore, suggested the following program:

A Program

(1) That the Congress ought to decide *each year* how much it should appropriate for food, coal, and fertilizer to send abroad.

(2) That requests for industrial equipment should be referred to the International Bank, which was established for the purpose of examining capital projects and making loans which after careful scrutiny present reasonable prospect for repayment.

(3) That in the middle area of raw materials and shorter term projects, the organization and well-tested capacity of the Export-Import Bank be used, but with special appropriations to be made by Congress from year to year to cover the needs which prove to be sound.

(4) That an overall agency should be created to administer the food, coal and fertilizer program, to supervise the raw material program, and to maintain contact with the European countries and with our domestic situation so as to recommend to the Congress from time to time how much aid may safely and wisely be extended. Even within Congressional appropriations the agency would be empowered to administer aid in relation to the progress European countries make in carrying out their own commitments as to production, financial stabilization, and mutual cooperation.

For above all the Harriman report recognizes that European recovery depends much more on what these countries do for themselves than on our aid.

Concerning a Wrong Impression About Our Tax Position

I believe it to be very important to correct a wrong impression that may have been created through erroneous press reports of the Harriman Report's position on tax policy. Actually instead of the reported opposition to a reduction in our income tax rates, the Committee took no official position on the matter. But it stated that the Budget prospects are bright enough to leave leeway both for the devotion of the $2.6 billion for foreign aid specified by Secretary Marshall as well as retirement of debt and adjustment of income taxes provided we keep down other spending.

City National Bank of Kansas City Moves to New Quarters

KANSAS CITY, MO.—The City National Bank & Trust Company of Kansas City has moved to new and larger quarters on the four lower floors of the R. A. Long Building at Grand Avenue at Tenth Street, including a customer garage in an extension built to the north of the building.

The new offices, completely redecorated in a modern functional manner, using glass and aluminum in the interior, are a departure from the old array of grilled cages. Color has been skillfully employed by the architects to make a handsome setting, though not in the grand palace motif that formerly made the main banking room so overpowering.

A mural, 5 by 17 feet, is a focal point in the main lobby, and is a symbolical design including figures of Daniel Boone, John Browna Carrie Nation and Thomas Hart Benton, the Missouri Senator who foretold that the great bend in the Missouri River would sire a great city. The artist is Edward Laning, head of the department of painting at the Kansas City Art Institute.

It is believed that at least 50% of the decor is an innovation in banking, with soundproofing, techniques for handling light for special purposes, including the detection of counterfeit bills, and new transit machines doing 24 operations simultaneously.

Over 2,000 financial men were visitors at the formal opening.

Belgium Bonds to Be Redeemed

Kingdom of Belgium external loan 30-year sinking fund 6% gold bonds due Jan. 1, 1955, in the principal amount of $590,400 have been drawn by lot for redemption through the sinking fund on Jan. 1, 1948. Payment at the principal amount and accrued interest to the redemption date will be made at J. P. Morgan & Co. Inc. or at Guaranty Trust Co. of New York, sinking fund administrators.

Are We Doing Our Own Job in Europe?

(Continued from first page)

come back with these convictions:

(1) Our handling of Germany has been bad.

(2) Our military government should not be allowed to decide between systems of regulated private enterprise and socialism.

(3) If we are going to give leadership to the world through aid to Europe, we must back things that will work. We have heretofore backed things that have not worked because we felt that it was not right to question how our money would be spent.

(4) Regulated private enterprise is far outproducing socialized industry in Western Europe when production is the great need for salvation of democracy. If America believes in private enterprise, let's say so.

I came back from Europe having seen and heard things so impressive, so overwhelming, that I was bound to report on those factors that are hindering recovery while we try mightily to do our part in mending Europe's economy.

These are my views:

Our Failure in Germany

First, our handling of Germany seems very bad to me. One cannot travel in Western Europe without being shocked over and over again by the failure of the United States and Britain to get a German economy started, sufficient at least to permit the recovery of the balance of Western Europe. I recognize that we are working in Germany under extremely difficult conditions. The division of the country into zones is a tragedy and the plan of pastoralization wasted many precious months in the race against chaos and Communism. "Postdam" was not good. I also recognize that some of this is a matter of public education. Since my return home I find plenty of evidence that many here do not yet recognize the necessity of the quickest possible German recovery. A businessman said, "But I can't forget that the Germans started all this." Another, "Why do we feed those Krauts?" Everyone in the German occupied countries with whom my wife and I talked hates the Germans with a burning fire. But that does not keep them from wanting a German economy restored. There is no other way out for them. It was the same story everywhere. Belgium and Germany need to exchange certain goods and services. Holland and Germany are dependent upon each other for certain necessities of life. Denmark, Switzerland, Luxembourg, France, the same. Even Italy. That was part of the route we took and it was always the same story. The interdependence of Western Europe and Western Germany is an irrefutable fact.

Second, Western Germany cries for civil administration. Germany itself is not now a military problem. While it is obvious that there are military implications in that situation, there must be a way to establish a civilian administration for the rebuilding of a German economy. Even in time of war the United States has a civil administration of its own economy.

Then, Western Germany is run by three countries having different ideas about many things. We need cooperation, but can't achieve it. There are extenuating circumstances and reasons why this is so and why things have been done in Germany as they have been done. But neither this generation nor the cold eye of history will be very interested in excuses if there is a collapse of the Western World because we didn't get along with our friends and somehow manage to restore enough of a German economy to revive Western Europe.

Do Some U. S. Officials Abroad Lean Toward Socialism?

Third, we are not taking advantage of the forces of private initiative and private enterprise to anything like the extent that we should. There is a belief in Europe that some of our own government people abroad lean well over to the side of socialism and are using the present troubled period to advance their theories.

Let me observe further:

(1) One of Europe's ablest industrialists had been talking with me about Germany. He was a very punctilious man. He hesitated at one point in our conversation and then phrased his idea something like this: "I have wondered if your planned economy people, finding the United States an unfavorable field at this time, are managing to be sent to Europe as a possibly more favorable field for their operations." An ex-cabinet minister of a Western European government had about the same thing to say except that he didn't raise a question about it. He said he thought it was so.

(2) There is a top grade industrial company of Allied ownership and operation which has a considerable number of plants in Germany. It had something like 40 to 50% war damage. "We wanted to buy a low cost plant that was offered to us rather than rehabilitate one of our own," the Managing Director of the company told me. The money was available in Germany for the purpose. But the authorities of the American Zone refused to permit the purchase. It seems that under existing rules and regulations all Allied property in Germany is under Allied Property Control and this Control has not established rules permitting the German subsidiaries of Allied companies to invest in new ventures or in replacements in their regular lines of business.

(3) During the war this same Allied company had taken away from it the stock of a German subsidiary having plants in both the American and British Zones. Goering had ordered the shares sold to stipulated persons at a price less than their value. The company has made agreements providing for the return of practically all of the shares to its own possession but the Allied Property Control refuses to permit this because there are as yet no rules which cover a case like this. I am informed that the delay in returning these shares to the Allied company has enabled certain German political circles *to advocate the nationalization of the particular industry concerned.*

Production of Coal and Steel Are Hindered

(4) The largest producer of steel in Europe today is in Luxembourg. It has a German subsidiary which owns coal mines at Eschweiler on the edge of the Ruhr. This is in the British Zone, or, more properly, now the joint British-American Zone. Before the war these mines had an annual production of 6,000,000 tons. (To get a perspective as to how much coal that is in Europe, the normal coal consumption of Luxembourg all told, steel mills, other industries and domestic, is said to be 4,500,000 tons per annum.) The Luxembourg people want their mines returned to their own control. They've asked for them and have been refused. Now let's look at the record.

	Tons
Prewar coal production	6,000,000
1946	1,297,000
August, 1947	175,000

The August improved rate is still only 35% of prewar.

The actual administration of these mines is in the hands of the North German Coal Control. The dire necessity of increasing coal production in the Ruhr has been the subject of much consideration in Washington and Europe and all that has happened so far as the owners of these mines are concerned is that in early September they were allowed to have an observer on location! And as if this were not enough to do to the Allied owners of these mines, they must buy their own coal at a price range of from \$19 to \$24 a ton whereas the German coal authorities pay the coal mining subsidiary of the Allied owners less than \$1.50 a ton—in German marks.

(5) A company of unquestioned Allied ownership and operation, with substantial industrial investments in Germany, has stated lately that while they feel their relations with the British and American Military authorities have been good, they nevertheless have been "severely handicapped" in Germany because of the limitations which have been imposed upon them in the control and development of their business.

(6) A friend of mine, an American businessman, was on the Continent this August and September. He wanted to see the German director of a company in which he had an indirect but important interest. My friend thought that plans had been made to get this German director to one of several points in Western Europe where he would be. But not so. The German director was not allowed to leave Germany. In fact he couldn't even leave the American sector of Berlin, where he was located to go to Frankfort, which is the headquarters of the American Zone. His Nazi record was not involved as that had been cleared. My friend learned all this when he arrived in Copenhagen, then too late to change his own plans and get permission to go to Berlin. Danish businessmen were not surprised. Since the end of the war they had seen no German businessmen.

Should Allied Companies Be Given to Germany?

Behind this confusion and restraint of production there appears to be basic indecision. Acting independently, I presume, our military government asks itself if socialism or regulated private enterprise is the best system. It asks if Allied-owned companies in Germany should be given to the Germans or returned to their owners. Statements by American and British occupying officials indicate some of the thinking behind the cases I have just cited.

At about the time the Luxembourg people received that notice about their mines, Sir William Strang, Political Adviser to the Commander-in-Chief of the British Forces of Occupation in Germany, said that as to the new proposals for the organization of the Ruhr Great Britain did not say that she did not intend to apply her plans of nationalization.

And on Sept. 8 last, at Frankfort, the European press reported that General Clay stated that the American authorities left to the German people the choice between a system of regulated economy calling for the nationalization of their principal industrial enterprises and a system of free private enterprise.

I wonder if that statement was made by General Clay or by someone "on his behalf." In any case, I think it was unfortunate. In the first place, the industrial enterprises being talked about do not now belong to the German people as a nation and at least in the main are private property. Why not allow them to remain private property? In the second place, why be so solicitous about the wishes of the German people? Finally, what we now want from the German people is production of goods and we are at least supposed to believe the way to get production is not by nationalization of industry but by individual initiative and private enterprise.

Should We Question Socialization Of Industry?

As to Britain. We and the other great powers are in a game for keeps, with stakes the like of which have neve been known. The atom bomb makes it so. The Continent knows that. But not Britain. Britain is deeply absorbed in a fatiguing debate: will Socialism work? A very intelligent Dutch woman asked, "What do the British think, do they care anything about us, are they thinking of Europe?" It didn't seem to me that they were. Before the war, during a dense fog in Britain, a London newspaper carried a headline, "Continent Isolated." Now, absorbed in her own ideological debate the Continent is "isolated" indeed. And that attitude could spell disaster for us all.

Somehow we must help Britain to get back on the job. The two pillars of Western European recovery are Western Germany and Britain herself. Each is essential. Today, Britain's main contribution to the welfare of herself and the world is, or rather should be, coal. There must be some way to get enough coal mined. I hope we may help her find the way.

Vital to this entire problem is whether the United States will insist on backing only what we think will work. Should we change our ways and ask that loans and goods be spent according to an approved plan?

I am fully aware that the United States cannot tell another country how to run its affairs. The left wing of any government, especially if it is socialist, could ask nothing better. But we must find some way to reconcile the dignity of sovereign governments running their own affairs with our advancing billions of dollars on a business-like basis. Moreover, our people will not long stand for huge outlays on any other basis.

When the British loan was under consideration a year and a half ago and their socialization of industry was raised as an objection, it was my view that that was Britain's business. But I have changed my mind. My trip to Europe did it. I am in favor of knowing and approving what our money is to be used for and I consider it wise and fair also to assure ourselves that the money is used according to plan. We should recognize that political pressure abroad as well as at home requires a stern control on funds.

This question will arise in our consideration of the Marshall Plan. Some will advocate "no strings" to our advances—specifically, that we will offer no objections to socialization of industry. I couldn't disagree more. I am not proposing that we draw a line against a government because it is socialist or against an industry because it is already nationalized. You can't' unscramble an egg. If, for example, we can find a way to aid Britain's nationalized coal industry, I'd like to see us do it. But I would not aid them to nationalize another industry because we believe that that is not the way to get production.

I recently discussed this subject with a prominent Dutch banker. He was emphatic in the view that sound leadership in world affairs requires us to know and approve what use is made of the huge foreign advances we now have under consideration. It is now my considered opinion that the sound elements in Europe, with whom we must work to pull Western Europe through, fully agree with that position. Based on discussions that I had in Britain, I can say that many British hold that view. If we are going to give leadership to the world, we must back things which we believe will work. In leadership there is no substitute for success.

I do not propose here to dig up the classic arguments about socialism versus regulated private enterprise. It isn't hard to discern that I prefer private enterprise, but I can imagine myself preferring to have less of something in order to have more to say about that less. But with Germany, (as with Britain and all the rest of the world), the problem now is not some political theory but how to get production. How do we produce the most food, coal and other goods required by man in the shortest possible period of time? Western Europe must have goods to survive.

Private Enterprise Outproduces Socialism

Experience shows that so far as producing goods is concerned, private enterprise leaves socialism far behind. It would be an economic illiterate who would deny that. While the socielized schemes of postwar Western Europe are languishing, private enterprise is forging ahead. That is so even in Italy where there have been major political instabilities. For example, I never saw so much building any place as is now going on in Milan and I was informed that there was even more private construction under way in Genoa. The published reports of the Philips electrical interests in Holland, which of course had enormous war losses, are a model of how to get back on the job and produce goods. I was told that "Philips" were supposed to supply 10% of Holland's total exports and that they were doing it. The Dutch rayon industry, A.K.U., in the heart of the Arnheim sector of Holland, suffered great losses but its present production is actually ahead of prewar. Workmen's housing was under way there, not just being talked about. These things I've seen with my own eyes. And the chemical company of Italy, Montecatini, a far flung chemical company of great scope which of course had great war damage, has its reconstruction program well on the way to completion and by September was producing at a rate of 85% of prewar in spite of coal and other material shortages. Another private manufacturing company with operations throughout Western Europe, in spite of raw material shortages, has attained a volume of production that is approximately 90% of prewar — that is, it has attained this production in Western Europe excepting in Britain and Germany. The reasons for lack of progress in those situations are typical of conditions which, by now, should be well recognized.

Private enterprise is the way to produce the most goods and we should make no bones about saying so. The Europeans understand plain speaking. They understand it and like it and will respect our leadership the more if we use plain language in dealing with their affairs.

Halsey Stuart Offers Water Service Bonds

Halsey, Stuart & Co. Inc. is offering \$1,500,000 California Water Service Company, first mortgage 3¼% bonds, Series C, due Nov. 1, 1975, at 103.50% and accrued interest to yield approximately 3.06%. The award of the bonds to Halsey, Stuart & Co. Inc. was made on their bid of 102.329%.

Proceeds from the sale of the bonds and 15,652 shares of common stock previously underwritten are to be applied to the company's expansion program.

The company operates in communities in the San Francisco and Los Angeles areas including East Los Angeles, Stockton and Bakersfield.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Market now in buying range. Danger of new break not over but area of safety now in favor of buyer.

The Street is supposed to be amazed at the apathetic manner in which the stock market took the Truman message to Congress. So called observers say that this is the first time "in history" the market has so completely ignored a Presidential speech.

The answer isn't too hard to find. It wasn't exactly a state secret that Truman would ask for controls. In fact, last week's column in quoting Washington sources said as much. It was obvious that if this writer had the information, that people much better placed had more detailed information.

It has repeatedly been said here that the stock market is seldom "surprised" by news. It anticipates it by acting either strongly or weakly, depending on the expected news. So when this news finally hits the Page Ones of the country, the market just gives it token attention. About the only time this doesn't apply is when the public is heavily interested in price changes. During such a period every piece of news is hypoed into immense proportions. This obviously isn't the case today.

What the market will do from here on is apparently more important than speculation about reasons for the current inertia. That the Republicans would thumb down the Truman control program wasn't exactly surprising. With elections coming up, and both parties building their fences, the chances are the same conditions would obtain if the political picture were reversed.

But to get back to the market. Some weeks ago it was stated here that there were two critical levels to watch. A violation of a low point would indicate still lower prices in the offering. A penetration of the upper level would by the same token point to higher prices. Since I made that statement, I have seen nothing to change my views. The only chance is that the lower level is now raised to a point where it is practically at the market. This means the important figures to watch are 178-80 in the averages as the area of resistance. If there is any buying to be done I think it should be done at prevailing levels with stops placed at prices equivalent to figures just under 178 in the popular averages.

Reason for this method is to obvious to need lengthy explanation. If they go up from here you'll buy them at a comparatively low point. If they break the critical level then you don't want them, or at least that's my philosophy. In any case the margin of safety in such a method is in your favor.

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Halsey Stuart Group Offers Edison Bonds

Halsey Stuart & Co. Inc. and associates offered to the public Nov. 19 $30,000,000 Consolidated Edison Co. of New York, Inc., first and refunding mortgage bonds, 3% Series D, due Nov. 1, 1972 at 101.05% and accrued interest. The group was awarded the bonds at competitive sale on a bid of 100.4199.

Net proceeds from the sale, the fourth and final step in the company's plan for refunding its outstanding long-term debt, will be applied toward the cost of redeeming at 102% of the principal amount thereof, $30,000,000 20-year 3½% debentures, Series due 1958.

Previously this year the company issued $260,000,000 in first and refunding mortgage bonds, consisting of $100,000,000 in 2¾% Series A; $100,000,000 in 2⅝% Series B, and $60,000,000 in 2¾% Series C. Following consummation of the latest sale, the company's outstanding long-term debt will be $290,000,000 principal amount of first and refunding mortgage bonds and $2,892,000 principal amount of non-callable bonds which mature in 1995 and 1997.

The company is presently engaged in a construction program which, it is estimated, will exceed $250,000,000 for the years 1947 through 1951. It is further estimated that this program will require financing through the sale of securities, the type of which has not been determined at this time, to the extent of approximately $100,000,000 in addition to new convertible debentures. A part of this financing may be done within the next year.

The new Series D bonds will be redeemable at prices ranging from 104.05% to 100% and at special redemption prices scaled from 101.05% to 100%.

With B. C. Christopher

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB.—Frederick E. McClenahan is now with B. C. Christopher & Co., Grain Exchange Building.

The Stock Price Trend Continues Up

(Continued from first page)

practical help to investors, and it is little wonder that some of the leading Dow Theorists are suggesting that commonsense, rather than basic Dow Theory "rules," be followed at this time. (The presumption is, however, that the Dow Theorists will again advise abandoning the common sense approach, and follow the Dow Theory rules rigidly, if the market should decline to below the lows touched in May of this year.)

II.
The Market's Present Position

On the basis of studies which I have followed for more than 15 years, I personally believe that history will record the 1946 decline in the stock market as merely an interruption or correction of a broad cyclical advance which started in 1942, and which probably will not end until late in 1949 or early in 1950. The 163 level in the Dow-Jones Industrial Average which was touched in October, 1946, and again in May of this year, is the equivalent to 100 or less in the dollars we are likely to have from this point on. This is something that we should not forget if we want to be realistic in our appraisal of the future of the stock market.

This view is not based on the outlook for the price level alone, but rather on a group of three radically different types of studies. The first of these might be classified as fundamental; the second as technical; and the third as psychological. The fundamental group has to do with the outlook for business and earnings, and the level of stock prices in relation to earnings. The technical studies cover such factors as the historical action of the stock market, apart from its level in relation to earnings or prices. The psychological approach is merely one of measuring the degree of emotional optimism or pessimism which can be discerned from an analysis of the prevailing bearish arguments when stocks are selling at a low ratio to earnings, and from an analysis of the prevailing bullish arguments when stocks are selling at historically high ratios to earnings.

III.
The Fundamental Factors

Ever since October, 1946, and particularly during the early part of this year, one of the favorite themes of Wall Street analysts was that we were going to witness a collapse in commodity prices and a business depression this year comparable to that of 1920. This conclusion was based on little more than the fact that commodity prices and the stock market suffered a major decline starting within two years after the end of World War I, and that there had been a moderate reduction in our National Debt. Little attention was paid to the differences in our economy, as compared with conditions prevailing in 1919 and 1920. For one thing, this type of reasoning overlooked the fact that we were in World War I for a relatively brief period of time, with our National Debt during that war rising to only about 10% of where it is today. We were in World War II for almost three times as long as we were in the previous war, and we accumulated a pent-up demand for goods, and a supply of money, which was several times that with which we found ourselves on Nov. 11, 1918. As I pointed out in an article which appeared in the "Chronicle" on Jan. 16, 1947, we were not being realistic if we felt that we could satisfy the pent-up demand for goods which accumulated between 1941 and 1945, in as brief a period as we were able to satisfy the demands resulting from only minor restrictions of civilian production between April, 1917, and November, 1918.

I would be much more concerned about the possibility of a downward readjustment in prices, and the effect that such a readjustment might have on corporate earnings, if prices of basic raw materials had risen as much since 1939 as they did between 1914 and 1920. In 1920, mill prices of some of the primary steel products, for example, were quoted at more than three times the 1914 level. Today, they are only about 40% to 50% prewar. In 1920, the price of mid-continent crude was $3.50 a barrel, as compared with a low of 40c a barrel in 1915, and an average price of 80c a barrel in 1914. Today, mid-continent crude is quoted at about $2 a barrel, as compared with prices ranging from 94c to $1.16 a barrel between 1934 and 1940. We certainly have less reason to worry about the degree that earnings may be currently reflecting inventory profits than we should have had in 1920, and even apart from the extremely important differences in our interest rate structure and our agricultural program, there is less danger of a collapse in prices than there was in 1920. Furthermore, as discussed more fully in the Oct. 2, 1947 issue of the "Chronicle," it would seem unwise to ignore the fact that commodity prices held at between 40% and 50% above prewar levels for 10 years following World War I, when our National Debt was only 10% of where it is today.

IV.
Coming Business Activity

I am looking for a continued high level of business activity for at least two more years, partly because of the large pent-up demand for goods in this country, but also because it seems likely that we will continue to export at least $5 to $6 billion of goods a year, in excess of our imports, during 1948 and 1949. This compares with a prewar average of net exports of less than $1 billion a year, or the equivalent of $1.5 to $2 billion a year at today's price levels. The demand created by the current incomes of the individuals who are helping to produce these goods for both domestic and foreign consumption, plus the demands resulting from the use of savings accumulated during the war period, should continue to absorb our production. Production bottlenecks because of the shortages of such things as steel and various categories of skilled labor will keep us from catching up with the demand for the products of such highly cyclical industries as building, automobiles, heavy industrial and electrical equipment and railroad equipment, for at least another 18 to 24 months. A reduction in the expenditures for one type of construction will merely serve to permit increased activity in some other field. We could have a reduction of 50%-75% in the theoretical demand for housing and still have an urgent effective demand equivalent to at least two years of capacity operations. It is hard to see how we can get a downward spiral in business activity as long as these cyclical industries appear likely to operate at a high level, and as long as we continue to export, on balance, at least five or six times our average rate of exports in the 20s and 30s.

I should like to submit a few figures in support of the above statements. According to estimates of the Federal Reserve Board, individual savings during the four years from 1942 to 1945, inclusive, ranged between $25 and $35 billion a year, and averaged $30 billion a year. This compared with a maximum savings of $6 billion in any year from 1929 to 1940, and average savings of about $1.5 billion a year during the prewar period. Largely as a result of these wartime savings, on July 1 of this year, holdings of cash, bank deposits and government securities by individuals exceeded $150 billion, as compared with less than $50 billion in 1939. Certainly, some of these funds are available for the purchase of goods, and therefore can be counted upon to help sustain demand. The fact that savings are currently at only about one-third of the abnormal wartime rate is less relevant, I believe, than the fact that they are running at about six times the average prewar level.

We frequently hear that food prices have risen so high that the public has no buying power left for other goods. This impression is not supported by the available statistics. To be sure, certain groups, and particularly white collar workers in financial institutions, have seen the cost of living outdistance the advances in their incomes. For the country as a whole, however, according to government statistics, disposable income, which is the estimated net income of individuals, after taxes, is now running at the annual rate of about $175 billion. This compares with only $70 billion in 1939. It is estimated that our food bill this year will amount to about $35 billion, or two and one-half times the $14 billion level of eight years ago. If we subtract this estimate of food costs from disposable income, we find that the American public currently has about $140 billion to spend for non-food items, as compared with $56 billion in 1939, an increase of about 150%. Since the prices of most items, other than foods, have risen by less than 80%, it is obvious that the buying power of the public is still tremendous. Part of this gain in buying power is due to the high level of employment, which in turn means that there are many more families with two or more wage earners than was the case eight years ago. However, it does not matter to the automobile industry, or to any other industry, if a greater proportion of their products are now purchased by families with two wage earners than was true before the war. Also, we should not overlook the fact that while we may be spending $20 billion more for food than we were in 1939, part of that $20 billion becomes buying power for the people who produce the food. This buying power helps to sustain the demand for everything from shoes to automobiles by the people who happen to be fortunate enough to be producers rather than merely consumers of food.

V.
Earnings

I believe that most people will agree that if business holds up, earnings will be well maintained for at least the more efficient members of our industrial community. Using the Dow-Jones 30 Industrials as a reasonably satisfactory, if imperfect, sample of the stock market, we find that earnings this year are running at the rate of between $18 and $19 a share. Part of these earnings are the result of inventory profits. Since we should not capitalize this type of non-recurring income, it is necessary to subtract such earnings from the reported figures. Our work indicates that earnings for the Dow-Jones group of stocks this year, excluding estimated inventory profits, are likely to be about $16 a share. (The relationship of this figure to the probable reported earnings checks with an estimate made by the Department of Commerce as to the proportion of corporate earnings which appear to be accounted for by inventory profits this year.)

During the past 20 years, stocks have sold down about 10 times

the current year's earnings on three occasions, and have sold below 10 times earnings only once—in 1941—when the market was under the pressure of sales of large blocks of securities by the British Government. On the basis of this 20-year record, it should not have surprised anyone that the market held at slightly above the 160 level in the Dow-Jones Industrial Average in May of this year. **It should have surprised us a great deal if the market had declined by any substantial amount to below 160.** Looking ahead to next year, it seems reasonable to expect that industrial earnings will approximate the 1947 levels, exclusive of inventory profits. There will undoubtedly be a further decline in the earnings of the motion picture industry, the liquor industry, and similar lines, where the high cost of living is forcing a reduction in demand, and where a return to prewar competitive conditions is pushing profit margins down toward prewar levels. On the other hand, many companies which deliberately took substantial inventory losses early this year (against income rather than against inventory reserves), or whose operations were handicapped by a shortage of materials or labor, should be able to report a higher level of earnings during 1948. On balance, therefore, I believe that it is reasonable to make a tentative projection of earnings for the Dow-Jones 30 Industrials during 1948 of somewhere between $15 and $17 a share, as compared with the anticipated reported earnings of between $18 and $19 a share this year. In the past, it has almost invariably been true that stocks have sold at a higher ratio to earnings at their low for the year during any year when earnings were below the preceding year's reported levels. If earnings next year should only amount to about $15 a share, therefore, we should look for a price-earnings ratio at the low for the year of somewhere between 11 and 12 times earnings, or say 165 to 175. If, by early next year, it looks as though earnings will exceed $16 a share, it would be logical to expect that the lows for 1948 will be not far from current levels of about 180. On the basis of this approach, therefore, it seems reasonable to expect that the lows touched by the Dow-Jones Industrial Average in October of 1946 will not be broken during 1948, just as they were not broken in 1947.

In this connection, it may be interesting to recall that earnings for the companies which made up the Dow-Jones Industrial Average in 1925 declined by about 33% between that year and 1927. In spite of this decline in earnings, the low for the Dow-Jones Industrial Average in 1926 was 20 points above the 1925 low, and the 1927 low was 17 points above the low touched in 1926. The answer to this apparent phenomenon can be found, I believe, in the fact that stocks were selling at a very low level to earnings in 1925, and therefore were in a position to advance, even if earnings declined.

VI.

Technical Considerations

Turning to technical considerations, I have found two studies of particular interest and value. I want to emphasize at this point that I am not a technical expert. I follow certain technical studies only because I believe that this type of approach provides an excellent check on any tentative conclusions which may be drawn from fundamental studies. I am satisfied that most of the errors in market forecasting are due to the fact that we frequently try to cut corners in our analytical work, and do not bother to cross-check our conclusions by analyses based on more than one approach. (Parenthetically, I might state that if I were interested primarily in advising on trading operations, I would emphasize technical work rather than the slower moving fundamental forces. However, our clients are interested primarily in the one to three year price swings, rather than in the week-to-week movements.)

The most interesting of the technical approaches which I have followed over a period of years is that known as the time factor. My work in this field goes back to 1930, and I have not had occasion materially to modify the tentative conclusions recorded at that time. These studies, which I carried back for more than 50 years prior to 1930, show that there have been three distinct cycles during every decade. Other individuals have reached the same conclusion, and have tried to evolve mathematical formulae for a 40-month, $40\frac{1}{2}$-month or a 41-month cycle. I personally feel that any attempt to look for exact periodicity in the stock market is a mistake, and as most people know, can be very misleading. However, it is an historical fact that stock prices have shown a definite tendency to advance during certain years of every decade. On the basis of this approach, we should have expected a fairly substantial decline in 1946, comparable to that experienced in 1926 or 1896. This approach confirmed the conclusions drawn from fundamental studies, late last year, that the 1946 lows were not likely to be broken during 1947. (This conclusion was emphasized, as readers of the "Chronicle" may recall, in both my Jan. 16, 1947 and July 24, 1947, articles for this publication.) These studies indicate the probability of a definitely rising trend in stock prices from the spring of 1948 through the fall of 1949. I might add that these timing studies called for a rising trend in the market throughout 1945.

A second technical approach which I have found worth following, is one which was first called to my attention by Mr. R. N. Elliott, some 10 years ago, and which has been mentioned by such outstanding market students as the late Robert Rhea. That is, the tendency of major cycles to consist of three broad waves. In the period from 1921 to 1929, for example, we had the first rising wave from 1921 to late 1922 (or early 1923, depending on the average used), and then a reaction which some people called a bear market and some did not. From October, 1922, until July of 1924, or for a period of about 20 months, the market made no progress, on balance, and then started on another sharp upmove which ended in February of 1926. In that year, there was a very sharp decline which, percentagewise, was within 1% or 2% of the decline recorded in 1946, by the New York "Times" group of industrial stocks. (In 1926, the Dow-Jones Average did not fully reflect the fact that the majority of stocks declined by more than 33% during that year.) After the market had regained its equilibrium in 1926, it started on the third and final leg of the advance which ended in the fall of 1929.

The same broad three-legged type of movement can be seen by examining the record of the market for the period from 1932 to 1937. The first rise only lasted about two months, but amounted to almost 100%. This was followed by a decline which retraced more than one-half of the previous advance, and percentagewise, was greater than our 1946 "bear market." The second leg got underway in March of 1933, and carried into February of 1934. A series or declines in 1934 resulted in establishing a base for the third and final leg of this bull market, which ended in November of 1936, according to the New York "Times" Average, and in March of 1937, according to the Dow-Jones calculations.

If we accept the tentative premise that we have been in a bull market since April of 1942, we find that the first leg of the advance ended in June or July of 1943, and that the high reached at that time was followed by a minor reaction and a broad trading range which lasted about 12 months. The second advance ended in May of 1946, and was followed by a decline which ended in October of that year. The lows of October, 1946 (or of last May) should prove to be the base for the third and final advance which, if history repeats itself, will be greater than the two preceding legs of the rise since 1942.

VII.

The Psychological Approach

Coming down to the final group of studies which I call the "psychological approach," I believe that everyone will agree that there are times when almost everybody appears to be bullish, and other times when everybody appears to be bearish, even though purchases and sales have a way of being exactly equal. If we analyze the arguments which appear to be dominant from time to time, we find that they have very often been more emotional than logical. In the spring of 1946, for example, the only thing that seemed to matter was that price controls would soon be modified or entirely eliminated, and that this would result in higher prices. No attention was paid to the fact that one man's prices are another man's costs, and that higher commodity prices would have a particularly adverse effect on the railroad and utility industries. At the present time, we have the reverse of this situation, and only hear about how high prices are restricting the buying power for goods, with no mention being made of the increased buying power of the people who produce the goods.

We are also being told today, that unless prices decline we will have a depression. At the same time, it is pointed out that if prices start to decline, this would mean lower profits, which would also be bearish. This is what I mean when I say that psychology has become too onesided to be trustworthy. It is no longer "fashionable" to recall that no country in the history of the world has been able to avoid a major and permanent rise in its price level whenever deficit spending continued over an extended period of years, and resulted in a National Debt in excess of that country's national income. Instead, we are being told that commodity prices have always declined, eventually, following the peaks reached during or immediately after each of our major wars. Logic would seem to call for giving consideration to the differences as well as the similarities with the current period and previous periods in our economic history. However, today more than ever before, our collective "thinking" appears to be dominated or inspired by propaganda statements by one group or another in Washington. Fortunately, this "fear technique" of the New Deal group may have helped to prevent excesses of previous periods, just as it has helped to keep the market down in a buying range.

VIII.

The Legislative Element

What the market may do over the next few weeks will depend in large measure on the progress made by Congress on the Administration's proposals for direct relief for everyone except the American taxpayers. I hope and expect that Congress will reject the ill-conceived proposals of such people as Marriner Eccles, who now wants to reimpose excess-profits taxes, even though logic plainly indicates that such action would discourage efforts to increase production, and would be extremely inflationary in the long run. Federal Reserve action in the field of credit controls may also have some effect on the market, temporarily, but the need to support long-term bond prices, or at least to check any selling stampede which might develop if long-term bonds declined to below par, would seem to limit the powers of the Federal Reserve Board. (Our credit situation is quite different than that of England, and the recent election results following a sharp decline in the price of British Government bonds, may have some significance.)

From an intermediate or longer-term point of view, the risks in the equities of companies with a demonstrated growth record and satisfactory peacetime earning power, appear to be very moderate. Selection of individual securities will continue to be extremely important during the 12 months immediately ahead, but I believe that stocks can be purchased with a reasonable assurance that the underlying trend of the market is upward.

Problem of Rising Bank Costs

(Continued from page 9)

hadn't paid over 1% of his borrowings, and didn't expect to in the near future — and he gets about 9% gross for the money he lends. Do we stop to think that 1% is ⅝ of 1% to the lender and a cost of ⅝% to the borrower. I have had the financial executives of some of our largest corporations say that they were borrowing on term at ridiculously low rates, but they weren't paid to educate the bankers in the profit motive.

Between 1945 and 1946 the war loan deposit account and excess reserves practically disappeared, yet the loan rate for all member banks increased only .21 of 1%. I think the greatest single deterrent to better rates is the so-called minimum rate of $1\frac{1}{2}$% for prime commercial names. That minimum has become also the maximum for our national corporations. While it may not directly affect the country bank, it does have a strong influence on all commercial rates. Until the New York City banks have the courage to raise prime rates we shall all continue to have difficulty with our local rate structures.

In our own shop, except for our national names, we have been reviewing all our loans and generally making modest and equitable increases. I think it only fair to say that we are meeting with much cooperation and very little resistance. I assume that is your own experience.

On the hopeful side the increase of installment credit loans is encouraging, at least from the profit and loss point of view. I am not arguing the ethics or the economics of installment selling—I think it is here to stay, and the banks are in it to stay. The volume of credit is increasing rapidly and understandably, but I cannot yet see the validity of some of our economic prophets of gloom on installment buying. Let's examine the Reserve Board figures as of August last compared with the peak of 1941. In 1941 the deposit and currency money supply was about $78 billion—total installment credit outstanding was $6,200,000,000 of which $2,300,000,000 was in the form of loans.

In August of this year the money supply was $168,000,000,000; installment credit $5,100,000,000 and loans $2,500,000,000. Thus the money supply has increased by 115% while total installment loans are 18% less. Of course there may well come a time when we must stop, look and listen.

Enough about loans and loan rates. Let's develop the second source for improving income—Service Charges. For the past generation the banks have been spending endless time and much money in trying to educate everyone to have a checking account. From a public relations and, yes, from a social viewpoint that has been swell. We have certainly done a good educational job but I'm afraid in most cases without counting the cost. The handling of checking accounts is far and away our most expensive single function, and I doubt if many banks are getting back their "bait."

Now a few more figures, all dealing with our Third District: In 1946 for the banks with less than $20 million of resources service charges constituted 4.8% of total earnings; for banks from $20 to $100 million charges account for 3.7% of gross—and for banks over $100 million only 1.7% of gross. Obviously the larger the bank the more large accounts which, on analysis, escape service charges. The trend of service charge income is bad:

Year	Percent of Income
1943	4.7
1944	4.8
1945	4.3
1946	3.9

Here is where most of us are missing a bet—a bet that will substantially bolster our income and won't be any real burden to our customer.

I strongly urge all of you to make your own studies and set up schedules of charges more nearly compensatory with costs. I believe this is the opportune time to act for everyone is decidedly cost-conscious, and, while increased charges are never popular, they are at present fully justified by the facts of our situation.

To summarize, the earnings prospect for banks (particularly here in the east) is not cheerful, though an increasing loan total, and a consequent increasing risk, call for good earnings. We can now, and sooner or later must deal with the problem by rigid economy, by increasing our lending rates regardless of Treasury rates, and by courageously facing our checking account costs and imposing equitable service charges.

Toronto Bond Traders Elect 1947-48 Officers

TORONTO, ONT., CANADA—At the annual meeting of the Toronto Bond Traders' Association the following officers were elected:

B. H. Mason, Anderson & Co., President; J. G. Smith, The Dominion Bank, Vice-President; D. L. Mitchell, McLeod, Young, Weir & Co. Ltd., Secretary; and H. D. Stanley, Royal Securities Corp. Ltd., Treasurer.

Honorary officers of the Association for the year are: H. D. Leeming, A. E. Ames & Co. Ltd., Honorary President; L. G. Mills, Mills, Spence & Co. Ltd., and J. R. Meggeson, J. R. Meggeson & Co., Ltd., Honorary Vice-Presidents.

The members appointed to serve as committeemen were: E. J. Allman, Gairdner & Co. Ltd.; G. K. Anderson, A. E. Ames & Co. Ltd.; G. H. MacFarland, Nesbitt, Thomson & Co. Ltd.; L. W. Virtue, James Richardson & Sons; M. L. Wills, Wood, Gundy & Co. Ltd.

Ex-officio members of the Executive are C. W. McBride, Midland Securities Ltd., immediate past President, and J. F. Van Duzer, Mills, Spence & Co. Ltd., past Vice-President.

A Restored Europe Our Aim!

(Continued from page 9)

purpose to exploit the situation by filling the vacuum with American power. The map of Europe today bears witness to our true intentions. West of the line where the allied armies met, nations in their own way are grappling with their postwar problems, each in accordance with its distinctive institutions and traditions, free of external pressure. The proposal of the United States to assist in the recovery of the nations that responded to the suggestion of June 5 has no purpose other than to restore Europe as a self-supporting community of states and to terminate as speedily as possible dependence upon us for aid. It is unfortunate that only 16 European states felt free to participate in the Paris Conference on economic cooperation. This government is willing to cooperate with every nation that pledges a generous effort to the common cause of European recovery.

We are now intimately working to this end with governments of varied political complexions—some constitutional monarchies and some republics both with Socialist ministers, some controlled by conservative elements, and some constituted of coalitions. This is a fact that every one can see, and it should dispel completely the propagandistic assertions that we seek to impose the American pattern on others.

Much has been said about the various freedoms, about democracy, about the right of people and of nations to determine for themselves without restraint the forms of government they desire. Much has also been said regarding the desire of the United States Government to influence other nations to follow what we believe we follow with constantly increasing success—that is a philosophy of government dedicated to the freedom and welfare of the individual. That is our earnest desire. It is certainly not imperialistic and it does not indicate a passion for war.

We realize that we cannot expect the same conceptions to be held by all countries. Different races, different traditions, different histories and rates of development lead to different results, but on fundamentals I think we find a general agreement among peoples the world around.

If the United States entertained any idea of extending American influence or domination over Europe, our policy would not be directed toward ending European dependency upon this country, but toward perpetuating that relationship. The clarity of the record and of our intentions, however, has not prevented Soviet officials and Communist groups elsewhere from waging with increasing venom a calculated campaign of vilification and distortion of American motives in foreign affairs. These opponents of recovery charge the United States with imperialist design, aggressive purposes, and finally with a desire to provoke a third world war.

I wish to state emphatically that there is no truth whatsoever in these charges, and I add that those who make them are fully aware of this fact.

What is the record? We have annexed no territory. We have not used the greatest military power and military resources ever assembled to acquire for the United States a special privileged position, either political or economic. Furthermore, since the close of hostilities the United States and Great Britain have voluntarily reduced the area of their sovereignty in the world. Colonial areas and dependent people have been assisted to achieve full independence. New countries have emerged from under the U. S. and British flags to take their place as members of the United Nations.

While the Western democracies have been reducing the area of their sovereignty, one country has taken the opposite road. The Soviet Union has in effect considerably expanded her frontiers. Since 1939 she has *de facto* annexed territory comprising an area of more than 280,000 square miles, with a population of some 22 million people.

The American proposal for assistance to Europe is directed toward production, construction and recovery. It is a genuinely cooperative undertaking, which is being worked out in an atmosphere of mutual trust and with careful regard for the sovereignty of nations. Indeed, this joint endeavor by the United States and 16 European states is a clear and convincing demonstration of cooperation freely given, to achieve the common good. As such, it perfectly reflects one of the basic precepts of democracy.

This government recognizes that elements of uncertainty are involved in so vast and complex an undertaking. But we believe that the promise of success more than justifies the risks. We are completely convinced that the risks of not attempting to restore Europe are far greater than those involved in taking positive action as now proposed. We recognize that our people will be called upon to share their goods still in short supply and will have to forego filling a portion of their own requirements until the greater needs of Europe have been met. This is a direct contradiction of the allegation that we are seeking to dump surplus goods in Europe in order to avoid the depressing effects of oversupply. This particular charge of "dumping" must have a strange sound to those Europeans now desperately seeking the very essentials of life. And it must sound equally odd to Americans who are standing with money in hand impatient to buy goods which we are sending to Europe to meet a more urgent need. But such is the breath of propaganda.

I should like in this connection to make a few comments regarding propaganda in general and particularly with regard to the debates and procedure of the United Nations Assembly. It seems desirable to analyze the situation somewhat and clear up some of the issues prior to the meeting of the Foreign Ministers in London.

During the meeting of the United Nations Assembly there was a great deal said, with considerable vituperation, regarding the attitude of the government and people of the United States toward the Soviet Union, along with the direct accusation that a war spirit was being fomented by our press and by distinguished citizens who were named. A portion of this, the major portion I assume, was intended for pure propaganda purposes. But I also assume that there may have been some genuine feeling that the purposes of this government and the attitude of most of the American press were definitely hostile to the Soviet Union. As a responsible official of the United States government I would like to see more restraint than is sometimes exhibited in discussions of international issues.

But as regards the critical attitude recently manifested in this country toward the Soviet Union, I should like to distinguish between this effect and its cause. To determine that cause it is necessary to go back at least as far as the summer of 1945 immediately following the German surrender. At that time I think it was a fact that the people of the United States had as high a regard, or I might better put it, appreciation, for the Soviet people and their sacrifices, and for the Soviet Army and its leaders, as they held for any other people in the world. But today, only two years later, we are charged with a definite hostility toward the Soviet Union and its people, which constitutes a complete change in our attitude since the summer of 1945.

I recognize this effect. I would not characterize it as hostile. But the important question is, what produced this tremendous change in our national feeling and attitude? The truth as I see it is that from the termination of hostilities down to the present time the Soviet government has consistently followed a course which was bound to arouse the resentment of our people.

Just what the purpose of this remarkable procedure has been, particularly during 1946, I have been at a loss to determine. So many of the actions of that government were provocative without any other evident purpose. I have endeavored to find at least a partial explanation in the historical characteristics of the Russian government and its officials through a long period of years and not solely related to the present regime. While some light can thus be cast on the problem it does not, even in a small way, explain why a government should proceed with apparent deliberation to destroy the invaluable asset of high regard and good will which it possessed in the attitude of the American people and why it should deliberately provoke such animosities as are evident at this time.

The people of this country are God-fearing people. They have been very patient in their attitude towards misrepresentation of their actions and motives when their only purpose has been to help the other fellow. Today our people have been virtually driven into a state of active resentment and, having been goaded to this point, they are accused of having lighted and stoked this great fire of public resentment. This last is propaganda, yes, of the most brazen and contemptuous character. But since it affects the very stability of the world, it is time to call a halt to such inflammatory practices.

I am not pessimistic regarding the progress made by the United Nations during the recent Assembly meeting. The fact that the world has a forum for free debate is in itself a hopeful portent for the future. The fact that debates have sometimes included more of vituperation or diatribe than of logic or adherence to the facts was unfortunate but in the long run, I think, merely incidental, and an always present possibility in any democratic debate. The organization did pass through a serious struggle but I think it emerged without loss of potential strength. The question now is where do we go from here, which leads me to the coming Conference of Foreign Ministers in London.

The problem of restoring the European community inevitably raises in acute form the problem of Germany. The restoration of Europe involves the restoration of Germany. Without a revival of German production there can be no revival of Europe's economy. But we must be very careful to see that that revived Germany could not again threaten the European community.

I am not speaking of the revival of Germany in a military sense. There can be no question of the absolute necessity of keeping Germany disarmed and demilitarized. Today, Germany is completely disarmed. Measures have been proposed by the United States and supported by the United Kingdom and France to insure the continued demilitarization of Germany for 40 years. Thus far the Soviet Union has, in effect, rejected that proposal, by wholesale amendments of its purpose; but the offer still stands.

The revival of German militarism, however, is not the only important factor involved in the relationship of Germany to a restored Europe. There is an imperative necessity for safeguards to insure that the economic power of Germany shall not be used by a future German Government as a weapon for the furtherance of exclusively German policies. This poses admittedly a complicated and difficult problem. An attempt artificially to limit German peacetime economy could easily prevent the essential revival of German production to an extent that would render impossible the economic revival of Europe.

Control of the Ruhr

The answer to the problem would appear to relate primarily to the future role and functioning of the great industrial complex in the Ruhr. The United States believes that safeguards must be set up to insure that the resources and industrial potential of the Ruhr, particularly in respect to coal and steel, should not be left under the exclusive control of any future German Government but should be used for the benefit of the European community as a whole.

The charge has frequently been made that the United States in its policy has sought to give priority or intends to give priority to restoration of Germany ahead of that of the other countries of Europe. The truth is that far from having been accorded a preference over any Allied country, German recovery has lagged so far behind that of the other countries of Europe as to retard the whole effort for European recovery. At the present time industrial production in western Germany is less than one-half that of prewar. The food supplies are seriously below the minimum requirement for health and efficiency, the German foreign trade is only a small fraction of its former dimension. In fairness to the American taxpayer, who has been contributing hundreds of millions of dollars annually to support the people in the American Zone, Germany must be made self-supporting as quickly as possible. With safeguards against any revival of German militarism and with measures to assure the utilization of the basic products of the Ruhr for the good of the European community as a whole, I believe that Europe and the world will be adequately protected against the danger of future German domination. In these circumstances it should be possible to proceed to the establishment of a provisional central authority in a federated German state and to the final framing of a peace settlement. We shall earnestly endeavor at the conference in London to make progress along these lines.

Now I have tried to give you a picture of certain of our major international problems. These are not the only problems with which we are dealing. There are other areas of the world in which we face situations of immense complexity and gravity. But what I have told you this evening may give you a better idea of the character of our international problems as a whole and of our approach to them.

We are aware of the seriousness and extent of the campaign which is being directed against us as one of the bulwarks of Western civilization. We are not blind to any of the forms which this attack assumes. And we do not propose to stand by and watch the disintegration of the international community to which we belong.

But at the same time we are aware of our strength, and of the fact that there is great need in many countries for our help and our friendship, we can afford to discount the alarms and excursions intended to distract us, and to proceed with calm determination along the path which our traditions have defined.

I will approach this conference in London with an open mind and will seek only for a sound basis for agreements. I will seek to avoid statements for mere popular or propaganda effect, no matter what the provocation. It is my purpose to concentrate solely on finding an acceptable basis of agreement to terminate the present tragic stalemate and to speed the advent of a new era of peace and hope for Europe and the world.

Elect New Directors of Federal Reserve of N. Y.

William A. Myers, Deputy Chairman of the Board of the Federal Reserve Bank of New York, in announcing the election of directors to succeed Harry H. Pond, class A director, and Charles E. Adams, class B director, whose terms expire Dec. 31, 1947, reported on Nov. 14 that the results of the election are as follows:

Frederic E. Worden, Chairman of the Board, and President of the National Bank of Auburn, N. Y., was elected by member banks in Group 2 as a class A director of the Reserve Bank; and Charles E. Adams, Chairman of the Board, Air Reduction Co., Inc., New York, N. Y., was reelected by member banks in Group 2 as a class B director of the Reserve Bank. Each was chosen for a term of three years beginning Jan. 1, 1948.

NSTA Notes

THE CINCINNATI STOCK AND BOND CLUB

The annual Christmas Party of the Cincinnati Stock and Bond Club will be held on Monday evening, Dec. 15, at the Pavillion Caprice, Netherland Plaza Hotel, Cincinnati, Ohio.

As is customary, the annual election of Trustees for the coming year will take place prior to the dinner. Entertainment has been arranged by Frederic F. Latscha, General Chairman for the Dinner and Program.

The members of the Cincinnati Club are hoping that as many of their friends as possible from the various NSTA affiliates will find it convenient to attend.

Requests for guest reservations for the dinner and also hotel reservations should be directed to Frank Loveland, in care of Field Richards & Co., Cincinnati.

JACK C. SIEGMAN,
Publicity Committee.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available (dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date):

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Nov. 23	97.0	96.9	97.1	91.4
Equivalent to—					
Steel ingots and castings produced (net tons)	Nov. 23	1,697,400	1,695,700	1,699,200	1,610,800
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	Nov. 8	5,239,550	5,274,250	5,245,300	4,779,450
Crude runs to stills—daily average (bbls.)	Nov. 8	5,189,000	5,224,000	5,296,000	4,704,000
Gasoline output (bbls.)	Nov. 8	16,270,000	15,926,000	16,519,000	15,239,000
Kerosine output (bbls.)	Nov. 8	2,089,000	1,903,000	2,253,000	1,884,000
Gas oil and distillate fuel oil output (bbls.)	Nov. 8	6,256,000	6 793,000	6,539,000	5,451,000
Residual fuel oil output (bbls.)	Nov. 8	8,772,000	8,364,000	8,777,000	7,565,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 8	82,007,000	82,092,000	82,202,000	86,991,000
Kerosine (bbls.) at	Nov. 8	22,593,000	22,566,000	23,057,000	22,052,000
Gas oil and distillate fuel oil (bbls.) at	Nov. 8	63,358,000	62,749,000	61,098,000	69,389,000
Residual fuel oil (bbls.) at	Nov. 8	57,172,000	57,259,000	57,279,000	60,929,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 8	910,160	940,746	956,862	913,345
Revenue freight rec'd from connections (number of cars)	Nov. 8	730,961	743,195	743,248	720,581
CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS RECORD:					
Total U. S. construction	Nov. 13	$159,327,000	$97,298,000	$91,338,000	$112,491,000
Private construction	Nov. 13	73,741,000	46,867,000	57,208,000	44,847,000
Public construction	Nov. 13	85,586,000	50,431,000	34,130,000	67,644,000
State and municipal	Nov. 13	64,537,000	41,228,000	29,869,000	37,149,000
Federal	Nov. 13	21,049,000	9,203,000	4,261,000	30,495,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 8	12,835,000	12,850,000	12,750,000	12,732,000
Pennsylvania anthracite (tons)	Nov. 8	1,185,000	937,000	1,330,000	1,270,000
Beehive coke (tons)	Nov. 8	141,300	*142,900	135,500	126,200
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Nov. 8	347	*313	304	314
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 15	5,084,340	5,057,455	4,946,090	4,699,935
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Nov. 13	84	72	75	28
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 11	3.18925c	*3.18925c	*3.18925c	2.70711c
Pig iron (per gross ton)	Nov. 11	$37.06	$36.96	$36.96	$28.13
Scrap steel (per gross ton)	Nov. 11	$41.50	$41.50	$39.50	$24.42
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 12	21.200c	21.200c	21.225c	17.225c
Export refinery at	Nov. 12	21.425c	21.425c	21.425c	17.425c
Straits tin (New York) at	Nov. 12	80.000c	80.000c	80.000c	70.000c
Lead (New York) at	Nov. 12	15.000c	15.000c	15.000c	10.500c
Lead (St. Louis) at	Nov. 12	14.800c	14.800c	14.800c	10.350c
Zinc (East St. Louis) at	Nov. 12	10.500c	10.500c	10.500c	10.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Govt. Bonds	Nov. 18	†102.02	†102.37	†104.01	†103.57
Average corporate	Nov. 18	112.56	113.31	113.89	116.61
Aaa	Nov. 18	117.60	118.20	118.60	121.25
Aa	Nov. 18	115.63	116.61	117.00	119.20
A	Nov. 18	112.75	113.31	114.08	116.22
Baa	Nov. 18	105.00	105.52	106.56	110.15
Railroad Group	Nov. 18	107.62	107.98	109.06	112.37
Public Utilities Group	Nov. 18	114.27	115.04	115.24	117.60
Industrials Group	Nov. 18	116.02	117.00	117.60	119.82
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Govt. Bonds	Nov. 18	†2.36	†2.34	†2.23	†2.26
Average corporate	Nov. 18	3.03	2.99	2.96	2.82
Aaa	Nov. 18	2.77	2.74	2.72	2.59
Aa	Nov. 18	2.87	2.82	2.80	2.69
A	Nov. 18	3.02	2.99	2.95	2.84
Baa	Nov. 18	3.45	3.42	3.36	3.16
Railroad Group	Nov. 18	3.30	3.28	3.22	3.04
Public Utilities Group	Nov. 18	2.94	2.90	2.89	2.77
Industrials Group	Nov. 18	2.85	2.80	2.77	2.66
MOODY'S COMMODITY INDEX	Nov. 18	448.3	447.6	451.2	375.1
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUP—1935-39=100:					
Foods	Nov. 15	229.5	228.5	233.1	216.1
Fats and oils	Nov. 15	260.7	248.3	225.6	293.8
Farm products	Nov. 15	259.0	256.6	269.2	230.3
Cotton	Nov. 15	313.3	307.8	299.9	298.7
Grains	Nov. 15	300.3	291.9	307.8	201.3
Livestock	Nov. 15	245.2	245.0	262.5	233.7
Fuels	Nov. 15	198.2	*195.2	190.3	154.2
Miscellaneous commodities	Nov. 15	175.4	174.1	170.9	165.1
Textiles	Nov. 15	218.6	217.2	215.4	205.5
Metals	Nov. 15	159.5	159.5	159.2	130.2
Building materials	Nov. 15	235.3	232.5	232.6	203.4
Chemicals and drugs	Nov. 15	157.1	154.5	152.4	145.9
Fertilizer materials	Nov. 15	136.4	136.3	135.5	122.4
Fertilizers	Nov. 15	138.9	136.9	136.9	125.6
Farm machinery	Nov. 15	128.3	128.3	127.1	116.6
All groups combined	Nov. 15	214.3	*212.7	214.3	190.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 8	222,903	192,927	165,049	185,047
Production (tons)	Nov. 8	185,873	182,029	185,582	175,906
Percentage of activity	Nov. 8	102	100	102	102
Unfilled orders (tons) at	Nov. 8	467,636	436,178	471,355	613,752
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	Nov. 14	148.8	148.4	146.2	148.7
WHOLESALE PRICES—U. S. DEPT. LABOR—1926=100:					
All commodities	Nov. 8	157.9	157.4	158.0	134.8
Farm products	Nov. 8	186.1	187.7	190.1	166.0
Foods	Nov. 8	176.3	173.8	180.0	162.5
Hides and leather products	Nov. 8	198.7	195.9	189.2	158.7
Textile products	Nov. 8	142.9	142.7	141.2	130.2
Fuel and lighting materials	Nov. 8	118.4	118.3	115.4	94.7
Metal and metal products	Nov. 8	151.3	151.3	150.7	114.4
Building materials	Nov. 8	185.2	185.2	183.3	140.0
Chemicals and allied products	Nov. 8	129.1	127.8	125.1	110.2
Housefurnishings goods	Nov. 8	133.4	133.4	132.7	117.5
Miscellaneous commodities	Nov. 8	117.9	117.2	116.1	104.9
Special groups—					
Raw materials	Nov. 8	175.2	175.9	175.6	152.2
Semi-manufactured articles	Nov. 8	155.2	154.6	152.1	122.4
Manufactured products	Nov. 8	151.0	150.0	151.7	129.5
All commodities other than farm products	Nov. 8	151.6	150.8	151.0	128.0
All commodities other than farm products and foods	Nov. 8	141.3	140.9	139.0	115.5

*Revised figure. †Figures are for taxabble securities, previous figures given were for non-taxable.

	Latest Month	Previous Month	Year Ago
ALUMINUM WROUGHT PRODUCTS (DEPT. OF COMMERCE — Month of September:			
Total shipments (thousands of pounds)	119,216	101,713	114,152
AMERICAN GAS ASSOCIATION — For Month of September:			
Total gas sales (M therms)	1,984,486	1,983,820	1,948,132
Natural gas sales (M therms)	1,772,013	1,779,852	1,718,991
Manufacturing gas sales (M therms)	142,193	134,098	150,552
Mixed gas sales (M therms)	70,274	69,870	78,589
COAL OUTPUT (BUREAU OF MINES)—			
Bituminous coal and lignite (net tons)—Month of October	56,890,000	52,350,000	57,485,000
Pennsylvania Anthracite (net tons)—Month of October	5,496,000	*5,141,000	5,393,000
Beehive Coke (net tons)—Month of October	600,000	*566,100	573,900
COKE (BUREAU OF MINES)—Month of Sept.:			
Production (net tons)	5,962,275	*6,201,336	5,876,600
Oven coke (net tons)	5,396,151	*5,632,600	5,376,500
Beehive coke (net tons)	566,124	*568,736	500,100
Oven coke stocks at end of month (net tons)	1,029,088	*982,067	943,951
COMMERCIAL STEEL FORGINGS (DEPT. OF COMMERCE)—Month of August:			
Shipments (short tons)	98,009	92,352	108,424
Unfilled orders at end of month (short tons)	626,227	630,925	666,360
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE INSURANCE—Month of August:			
Death benefits	$101,415,000	$115,958,000	$101,276,000
Matured endowments	28,367,000	30,997,000	28,974,000
Disability payments	6,358,000	8,509,000	8,120,000
Annuity payments	17,574,000	19,098,000	16,950,000
Surrender values	29,457,000	32,522,000	25,340,000
Policy dividends	35,218,000	40,119,000	35,604,000
Total	$218,389,000	$247,203,000	$216,264,000
MALLEABLE IRON CASTINGS (DEPT. OF COMMERCE)—Month of September			
Shipments (short tons)	71,568	62,404	69,507
For sale (short tons)	40,138	38,165	39,631
For producers' own use (short tons)	31,430	24,239	29,876
Orders booked, less cancellations, for sale (short tons)	31,379	33,244	44,369
Unfilled orders, end of month, for sale (short tons)	220,976	229,739	277,309
METAL PRICES (E. & M. J. QUOTATIONS)—Average for Month of October:			
Copper (per pound)—			
Electrolytic, domestic, refinery	21.209c	21.225c	14.150c
Electrolytic, export, refinery	21.389c	21,388c	17.094c
Lead (per pound)—			
New York	15.000c	15.000c	8.250c
St. Louis	14.800c	14.800c	8.100c
Silver and Sterling Exchange:			
Silver, New York (per ounce)	71.625c	70.601c	90.076c
Silver, London (pence per ounce)	43.375c	42.744c	55.500c
Sterling Exchange, "Checks"	$4.02727	$4.02631	$4.02986
Tin (per pound)—			
New York Straits	80.000c	80.000c	52.000c
New York, Chinese or 99%	78.900c	78.900c	51.125c
Gold (per ounce U. S. price)	$35.00	$35.00	$35.00
Quicksilver (per flask of 76 pounds)	$80.692	$81.64	$95.192
¶Antimony (per pound) (E. & M. J.)	35.995c	35.940c	15.839c
Antimony (per pound) bulk, Laredo	33.000c	33.000c	14.500c
Antimony, bulk, New York	--------	--------	15.265c
Antimony (per pound), in cases, Laredo	33.500c	33.500c	--------
Antimony (per pound), Chinese, Spot	Nom'l	Nom'l	16.500c
Platinum, refined, per ounce	$60.269	$63.640	$76.731
†Cadmium (per pound)	$1.750	$1.750	$1.250
‡Cadmium (per pound)	$1.775	$1.775	$1.275
§Cadmium (per pound)	$1.800	$1.800	$1.300
Aluminum, 99% plus, ingot (per pound)	15.000c	15.000c	15.000c
Magnesium, ingot (per pound)	20.500c	20.500c	20.500c
Zinc (per pound)—			
East St. Louis	10.500c	10.500c	8.365c
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of October:			
Industrials (125)	5.1	5.1	4.3
Railroads (25)	7.0	7.1	6.9
Utilities (25)	5.2	5.1	4.7
Banks (15)	4.5	4.5	3.9
Insurance (10)	3.5	3.6	3.5
Average yield (200)	5.1	5.2	4.4
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS ASSOCIATION) — Month of September:			
Total number of vehicles	420,299	349,424	328,795
Number of passenger cars	307,879	261,158	232,280
Number of motor trucks	110,805	86,509	95,682
Number of motor coaches	1,615	1,757	833
SOFTWOOD PLYWOOD (DEPT. OF COMMERCE)—Month of September:			
Production (M sq. ft., 3/8-in. equivalent)	146,985	*139,369	129,270
Shipments and consumption (M sq. ft., 3/8-in. equivalent)	146,701	*136,471	128,086
Stocks (M sq. ft., 3/8-in. equivalent) at end of month	38,086	*37,600	35,560
Consumption of logs (M ft., log scale)	64,241	*61,372	56,315
Log stocks (M ft., log scale) at Aug. 31	221,904	*186,880	175,979
U. S. GOVT. STATUTORY DEBT LIMITATION—As of Oct. 31:			
Total face amount that may be outstanding at any one time	$275,000,000,000	$275,000,000,000	$275,000,000,000
Outstanding—			
Total gross public debt	259,071,042,154	259,144,588,455	263,531,856,311
Guaranteed obligations not owned by the Treasury	83,483,916	75,959,624	385,810,397
Total gross public debt and guaranteed obligations	$259,154,526,070	$259,220,548,079	$263,917,666,708
Deduct—other outstanding public debt obligations not subject to debt limitation	862,548,794	869,662,221	943,009,778
Grand total outstanding	$258,291,977,276	$258,350,885,858	$262,974,656,930
Balance face amount of obligations issuable under above authority	$16,708,022,724	$16,649,114,142	$12,025,343,070
UNITED STATES EXPORTS AND IMPORTS—BUREAU OF CENSUS—Month of September:			
Exports	$1,114,500,000	$1,149,500,000	--------
Commercial	1,082,900,000	1,125,400,000	--------
UNRRA Adminis. Program	800,000	2,800,000	--------
Foreign Relief Program	25,800,000	12,300,000	--------
Greek-Turkish Aid	4,200,000	4,200,000	--------
Lend Lease	800,000	100,000	--------
Imports	481,100,000	399,000,000	--------

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Based on platers' quotation. ¶Domestic, 5 tons or more but less than carload lot, packed in cases, f.o.b. New York.

Poland's Economic Distress

(Continued from page 12)

home market requirements, it should be dealt with at greater length than can be allowed in this short article.

(6) As regards agricultural production, there are at present no prospects of obtaining a surplus for export of grain, meat or fats. On the contrary, Poland urgently needs substantial help from outside in this sphere. The same applies to timber. In the immediate future Poland can help to improve the diet of the European population by the export only of some less important items, such as sugar and eggs. As has been pointed out above, this position could be greatly improved if Poland regained possession of her eastern provinces, at present occupied by Russia.

Poland's External Trade: The general trend of Polish external trade before the war was always directed towards the European economic area — moreover she satisfied her needs in raw materials, plant and equipment in overseas countries. (In 1936-1938 percentage-wise export of Poland to U.S.S.R. was 0.4%; in 1946, 49.6%. Polish import from Russia in 1936-1938 was 1.1%; in 1946, 70.3%.) By the reunion of the Western Provinces with Poland the needs in raw materials, plant and equipment have been notably increased in Poland; at the same time new prospects for production have appeared and communications by rail and sea between Poland and western Europe, as well as overseas countries, have been remarkably improved. All this should naturally have strengthened the bonds between Poland and the western world, but owing to Russian domination in Poland this natural trend has been turned aside.

Relations between U.S.S.R. and Poland were obstructed before the war for many reasons. Leaving out of account the changing political situation, we have to deal with the following set of circumstances:

(a) Purely economic obstacles in the development of exports from Poland to Soviet Russia, due to the Russian refusal to allow the import of consumer goods (e.g. textile goods), and to the demand that the capital goods should be delivered on credit, which Poland was able to grant in a very limited degree.

(b) Imports from U.S.S.R. to Poland could not be on a big scale, as Poland did not need the consumer goods produced in Russia, having them herself in excess and being able to import them from other countries on more favorable terms.

As mentioned before, the rise in the share of Polish foreign trade enjoyed by U.S.S.R. has been abnormally rapid since the war. In 1946 Russia had about 50% of Poland's exports, and she imported from Russia about 70% of her total imports. The principal export from Poland to Russia was coal, 8.9 million tons of which were delivered by Poland to this market out of her total export of 13.5 million tons, or 68%. This export is based on bilateral commercial treaties and on so-called "reparation coal" which is supposed to be delivered to the Soviet Union as compensation for handing over to Poland some properties which, according to Russian interpretation, constituted "German assets," and should have passed to Russia as war booty. Russia considers as war booty in the territory subjected to her Warsaw agents all property which the Germans declared as their assets in Poland, irrespective of the date of appropriation, juridical titles and conditions in which these assets had been taken over by them. (Just as it was in Austria.) The agreement on "reparation coal" has never been published and it is known only that this "reparation coal" constitutes an overwhelming proportion of the coal export to Russia. In pursuance of this, the "trade" deliveries to Russia amounted to 1,962,000 tons, while the export of "reparation coal" equalled 2,340,000 tons.

Apart from coal, Poland's main deliveries to Russia are textiles, steel and iron, cement and sodium.

Imports to Poland from Russia consist mainly of textile raw materials, grain and silocose vegetables, petroleum and lubricants, tobacco, iron ore, and other less important goods. In connection with this, it is necessary to explain that: The textile raw materials imported from Russia serve mainly for the manufacture of textile products subsequently exported by Poland to U.S.S.R. The same fact occurs as regards ores. Agricultural products arriving from Russia are less than the prewar normal share of the eastern provinces of Poland, now under Russian occupation, in Polish national economy before the war. Petroleum products come from the occupied eastern areas of Poland.

The prices charged by Russia are high, and the prices of exports from Poland are fixed so low that complaints, that the prices received from exported goods do not cover production costs, are becoming more and more general in Poland.

In the first half-year of 1946 the total imports from Russia have been officially assessed at 3.5 billion current zlotys (official rate of exchange $1=100 zlotys), and exports at 1,993,000,000, showing a surplus of imports over exports amounting to 1.5 billion zlotys. These statistics deal exclusively with "trade" exchanges, i.e., without deliveries of "reparation coal." The coal and coke exported under this heading, amounting to 1,962,000 tons, is valued at 775.6 million current zlotys, which means 7.75 million dollars, according to the official rate of exchange. At the same time Sweden, Denmark and Switzerland were paying $10 per ton. Had Poland exported the same amount of coal to the western countries she would realized a sum of $19.6 million instead of $7.75 million. If we bear in mind the fact that the total export of coal from Poland to Russia at that period includes 2,340,000 tons of "reparation coal" as compensation to Russia for German spoils in Poland, we can dispense with any further comment.

The total value of exports from Russia to Poland in the said half-year amounted, as stated before, to some 3.5 billion current zlotys, i.e. about $35 million. These figures are so small that—even if one considers them independently of the high price which Poland has to pay by being obliged to supply Russia with articles necessary for her own rehabilitation or which would realize higher prices on other markets — even if one passes over these circumstances, one must admit that these figures cannot be compared with the amount of the assistance received by Poland from the U. S. A. through UNRRA channels. This assistance which, of course, does not appear in trade statistics, was of real importance to Poland.

Further help can come only from the west, and not from the badly shaken Russian production, which even in normal times was unable to satisfy Poland's needs. The inclusion of Poland in the Russian bloc is quite mistaken, from the economic as well as the political point of view.

Dividend Policy and Section 102 of Revenue Code

(Continued from page 15)

surplus from which taxable dividends might have been declared.

(4) Corporations, a majority of whose stock is held by a family group or other small group of individuals, or by a trust or trusts for the benefit of such groups.

(5) Corporations, the distributions of which, while exceeding 70% of their earnings appear to be inadequate when considered in connection with the nature of the business or the financial position of the corporation or corporations with accumulations of cash or other quick assets which appear to be beyond the reasonable needs of the business.

Section 19.1023 of Treasury Regulations 111 states in part:

"Undistributed income is properly accumulated if retained for working capital needed by the business; or if invested in additions to plant reasonably required by the business; or if in accordance with contract obligations placed to the credit of a sinking fund for the purpose of retiring bonds issued by the corporation. The nature of the investment of earnings or profits is immaterial if they are not in fact needed in the business. Among other things, the nature of the business, the financial condition of the corporation at the close of the taxable year, and the use of the undistributed earnings or profits will be considered in determining the reasonableness of the accumulations."

The 70% mentioned above and in the famous 1946 "Question," is not a definite safeguard contained in the law, but is merely a yardstick for use of the Bureau in measuring liability for the tax. A corporation is not automatically exempt if it distributes 71% of its earnings nor is it necessarily subject to tax if it retains 50% of its profits. Further, it is not just the surplus of the current year that may be suspect but the accumulated surplus to date. While accumulation of a large surplus in prior years may not have been unreasonable due to business requirements, the addition of the current year's earnings may be considered unreasonable.

If a corporation's accumulation is questioned, it is not enough to state that such accumulation is necessary for corporate purposes. The corporation must prove its case "by the clear preponderance of the evidence." It will probably be necessary to show that earnings are accumulated for a particular purpose or contingency, one that is in the immediately foreseeable future. The purpose must be a legitimate one and the accumulation must not be excessive for such purpose, or the contingency must be a real and imminent one. One reason that Section 102 is of particular importance this year is that the war's smoke screen has to some extent cleared away. Not that everything is cut and dried, yet, but during the war there was renegotiation which took 100% of excessive profits, an 85½% excess profits on top of that, and the Bureau realized that reconversion would be a most uncertain period. Corporation executives won't admit that they are entirely reconverted to normal, but new corporations have reverted to the point where they must prove to the Bureau's satisfaction that their intentions are not miserly.

The purpose of the tax is to prevent the avoidance of personal surtax on the part of stockholders by allowing corporate profits to accumulate. Regulations 111 provide in part: "A corporation is subject to taxation under Section 102 if it is formed or availed of for the purpose of preventing the imposition of surtax upon shareholders through the medium of permitting earnings or profits to accumulate, even though the corporation is not a mere holding or investment company and does not have an unreasonable accumulation of earnings or profits."

This is not as unlikely a situation as it might seem. Obviously, if important stockholders are in high tax brackets, any accumulation of earnings results in a saving of the surtax they would be required to pay if the earnings were distributed. The avoidance of taxes doesn't have to be the only purpose for accumulating earnings or even the chief purpose. If the Commissioner finds that an accumulation is unreasonable, the burden of proof is on the corporation to show "by the clear preponderance of the evidence" that avoidance of personal surtaxes was not an important reason for such building up of surplus, and this may be difficult. The Commissioner naturally resolves any doubts in his favor. Some of the litigation brought before the courts appears very far-fetched. But look back on Tax Court or even Supreme Court decisions of the last decade and see how many far-fetched decisions are now law.

To what type of corporation can this penalty tax be applied? The broadest target is a holding or investment company. Section 102 (b) of the Internal Revenue Code states: "The fact that any corporation is a mere holding or investment company shall be *prima facie* evidence of a purpose to avoid surtax upon shareholders." Large operating companies are not exempted. The Ford Motor Company is an example of the type of company that might be subjected to tax. But corporations with a greater number of stockholders can be assessed. The Trico Products Corporation case, which the Commission won, is a good example.

Trico, the country's chief manufacturer of windshield wipers, acquired some two thousand stockholders through a public offering of stock, although there were still two stockholders with large holdings. At least one of the directors did not hold sufficient stock to be affected by the size of dividends. The dividend policy was passed on with care. The product was covered by patents expiring at a definite future time. The company had plans for expansion but the court decision pointed out that an accumulation for such a purpose must be reasonable in relation to some definite plan during the years of accumulation.

Here we have a much wider application of the tax than had previously been considered possible. The tax can be levied on companies listed on the New York Stock Exchange. To summarize, what is the setting of the crime to which the Commissioner may make the punishment fit? To avoid the tax assessment, any corporation which has a large surplus and has some shareholders with large percentages of the outstanding stock must have a definite immediate use for its surplus or else pay out some 70% of its year's earnings. It is a reasonable assumption that directors are aware of this situation and in the case of suspect corporations investors may expect a more liberal dividend policy than would result if there were no Section 102.

Scores Dual Taxation of Dividends

(Continued from page 17)

method.' Under this plan, all corporate income, whether distributed or not, would be taxed to the shareholders just as if they were partners.

"Some propose that in order to correct the double taxation problem, corporations should be granted a deduction from taxable income for dividends paid, or granted a tax credit for dividends paid. In effect, this would be an undistributed profits tax. During the years 1936 and 1937, we had an undistributed profits tax. This tax was repealed by Congress as unworkable and undesirable. The undistributed profits tax meets the problem squarely and is simple and effective. However, there are many drawbacks to such a plan. It would seriously affect dividend policies and managerial determination. Retention of earnings is penalized by a tax, and the rate of such tax would naturally be high to prevent tax avoidance by such retention. Thus, the tax becomes a penalty on business development and expansion, and is especially harsh on small and growing corporations with small capital resources, and those which must retain a substantial share of earnings for legitimate growth purposes.

"Capital Gains Approach" Remedy

"There is another plan frequently suggested as a means of dealing with the double taxation problem, referred to as the 'capital gains approach.' Pursuant to this plan, the corporate tax would be eliminated, dividends distributed would be taxed to the individual as they are today, and capital gains realized on the sale of equity stocks would be taxed at the regular individual normal tax and surtax rates. Capital losses on such sales would be deductible from other income.

"In 1944, a group of Minnesota business and professional men felt that new and constructive measures must be taken to encourage production if America was to provide the opportunities needed for its people after the war, recognizing the necessity for a proper tax program in attaining this result. The postwar tax program resulting was termed 'Twin Cities Plan —Post-war Federal Taxes.'

"The Twin Cities Plan for the avoidance of double taxation of dividends is a very simple one. This plan suggests that there be eliminated from the equity stockholder's dividend income each year a percentage thereof equal to the corporate income tax rate. At the present time, this would mean that such stockholders would eliminate 38% of their dividends from net income. This plan recognizes that there is no relationship between the elimination from income of a fixed percentage of dividends received by individuals and the corporate tax already paid on the income from which such dividends are distributed.

A Practical Plan

"When consideration is given to the revenue requirements of the government and to the political feasibilities of any proposal, it would seem that any plan which has as its purpose the elimination of income taxes upon corporations, or the elimination of individual income taxes on dividends, is out of the question. A practical solution would have to provide, it seems to me, a medium between these two extremes.

"Such a plan was presented by representatives of the Chamber of Commerce of the United States in hearings before the Ways and Means Committee of the House in Washington, D. C., July 14, 1947. The plan sponsored by such representatives would retain the corporate tax as a part of our revenue system. However, dividends would be exempted from the individual normal tax and the first bracket surtax.

"It occurs to me that such a plan

has merit. On the other hand, it also occurs to me that the desired result might be achieved in a simpler way; that is, by allowing the individual recipient of dividends a tax credit, computed by multiplying such dividends by one-half of the corporate tax rate. At the present time, this would mean that the individual taxpayer would receive a credit against the total income taxes otherwise due from him equal to 19% of the dividends reported as income, assuming that the corporation from which the dividends were received had an income equal to, or in excess of, $50,000 a year. If it were deemed necessary, appropriate adjustment could be made for corporations with incomes of less than $50,000 whose effective income tax rate was less than 38%. In any case, the tax credit would be based on the amount of dividends received or the amount of net income, whichever is lower, so that the credit could not have the effect of reducing the tax payable on other income.

"Such a plan would not eliminate corporate income taxes on earnings retained in the business; nor would it encourage corporate management to unreasonably retain earnings. It would not place a penalty on the retention of sufficient corporate earnings for normal business requirements and expansion programs. It is believed no discrimination against any one group of taxpayers would result from the application of this plan.

"Federal revenues would be reduced somewhat by this suggestion. It is agreed by most authorities, however, that income taxes can be reduced and still furnish adequate funds for governmental operations. As I see it, consideration might well be given to applying part of the proposed tax cuts to the solution of the problem of double taxation of dividends. It might be that the stimulation of business through the release of venture capital for new and expanded projects would be productive of additional income, the tax on which would offset any loss in revenue in the proposed change.

Importance of Consumer Credit

(Continued from page 13)

payments which would have let them keep their terminal leave bonds, their savings bonds or their savings accounts. Now don't get me wrong, I know that there have been plenty of abuses of installment credit in the past, and that some types of lending agencies and retail stores have encouraged weak individuals to assume obligations beyond their means. However, I do not believe that the legitimate lender or merchandiser—and they are in the vast majority—should suffer for the sins of the very small minority. I also firmly believe that if banks will do the proper job of policing, that they can largely influence the credit practices in their community, and get the wandering "loose credit" operator back on the narrow straight road whose destination is sound credit terms and practices. It certainly should not be a very difficult selling job to point out the dangers facing all of us by threatened regulation, and to impress upon the wayfarer the fact that his business future and lines of credit might depend upon the way he conducts his business as to advertising and offering of credit terms and policies.

Dangers of Regulatory Measures

Now let's look a little further. We all know that every banker, finance company executive, personal loan company executive and credit retailer is vitally affected by the threatened return of regulatory measures. Now how about the public? Should they be concerned with the possibility of new regulations on all types of consumer credit? The answer to that is definitely yes. You could probably go out on the street and ask the average man if he would be affected by credit controls. His answer would probably be "No," because it is something he has failed to analyze from his own personal standpoint. As I said before, I stoutly maintain that credit controls will not boost the sale of savings bonds or build savings accounts. On the contrary, I believe that credit controls with restricted terms encourages the average individual to cash in their savings bonds or withdraw their savings deposits in order to purchase the merchandise they need or want. Now then if we are going to be told how we can spend our current earnings, what is to prevent the same agencies administering the controls from asking Congress to also give them the power to restrict the cashing of savings bonds, or the withdrawal of bank deposits except for certain stipulated purposes. I know that most of you will immediately have the thought that such regulations are absurd and far fetched. Of course I know that Congress will not be asked, nor would they give, such controls at the present time. However, any type of regulation such as will be asked of Congress is just the first step. Everybody crawls before he walks, and if consumer credit controls become an established and accepted fact, and any new controls will be permanent, not temporary, I claim it is not at all beyond the realms of possibility that some economic crisis in the future could lead to further controls such as I have previously mentioned, and the asking of such controls under certain conditions would not seem at all out of the ordinary. That is especially true in cases where certain types of regulations have become commonplace and accepted as a matter of course. Don't forget about the nationalization of banks in Australia, although I am quite sure that 10 years ago any Australian would have told you that such an act could never happen to them. Now please understand me, I have not made these statements as a prediction, but I am merely throwing them out on the table as something to think about, and I maintain that it deserves serious thought.

Now let's get over to another line of thought. We all know that newspaper men, editorial writers and in fact all journalists like to play up the sensational. Also economists and legislators like to quote big figures. Nowadays, if you don't talk in the billions you are just talking about so many peanuts. As a result, all types of publications are constantly harping on the fact that consumer credit outstanding have reached approximately $11½ billion according to figures furnished to them by the Federal Reserve Board. They love to go on and compare this with the outstanding in consumer credit during the years of 1939 and 1941. Actually, the present consumer credit outstandings are about the same as during the immediate pre-war years.

Then of course there is always the inference that since our present consumer outstanding is about the same as in the prewar years, that they have reached the danger point and should not be allowed to go any higher. In reaching this masterful conclusion, they fail to make any mention of the fact that our commerce department has released figures showing that consumer credit *income* during the same period has increased more than 100%. Since that is the case, is it not logical to assume that our present consumer credit outstandings could double and still be only equal percentage-wise to the outstanding in the 1939-1941 period, using the ratio of average debt to average income. Another thing that they always fail to mention is that during the same period from 1941 to the present, we have had an increase of population of about 12 million, or 9%, so that our consumer credit outstandings should be above the immediate prewar level by about the same percentage even if we had the same average income as prevailed in the prewar period; which we definitely do not, as I stated before. In other words, a good majority of this fear psychology that is dished out about the increased consumer credit outstandings actually has no basis in fact, and is deliberately misleading to the general public. As a matter of fact, those individuals who contracted a long-term debt in the immediate prewar period, and are paying off that debt now, are really only paying about half of what they borrowed because they are now able to retire that same debt with 50-cent dollars.

If our good friends in Congress and certain governmental agencies will leave us alone, I have no fear of unsound credit practices in the immediate future, either by banks, sales finance companies, loan companies or responsible merchandisers in the credit field. I know for a fact, that all types of lending agencies are being soundly advised as to credit terms, and that through their trade associations they realize the imminent danger of the return of regulatory measures which they do not want. After all, the various types of lending agencies all have a closely knit organization with able, intelligent executive management, and they are all inclined to follow practices that will not only protect their individual business, but also protect the welfare of their competitors. I also know for a fact that trade associations in the merchandising field, whether it be furniture, household appliances or the 101 other articles sold on credit, are being warned about unsound and impractical credit terms. They are also being warned as to their advertising programs, and I am quite certain that the few merchandisers who are inclined to want to obtain a trade advantage by offering loose credit terms, will finally be made to see the light of day and will discard any thoughts they might have had along this line. Of course there will be a few exceptions, as is always the case. These exceptions in each community are the ones I mentioned who should be called in and advised as to sound credit practices, so as not to jeopardize the welfare of the many for the advantage of the few. And don't ever think that the advocates of credit control won't be looking for those exceptions to use as ammunition in presenting their case to Congress.

This problem of credit control is not just the problem of the individual executive in each organization who has charge of the consumer credit department. The problem is one that should be presented to every executive, board member, stockholder and employee. If controls are returned, it will affect everyone in every organization coming under the controls, and therefore it is only fair that the subject should be thoroughly discussed and explained to each individual who can be affected by it. I only hope that everyone of you here today will realize that it is not only a serious problem, but is an *immediate* problem, as Congress will convene in less than a week and will probably be asked to act on this subject immediately. You, as individuals, have elected your Senators and Representatives and they are acting as your mouthpiece in Congress. Therefore, it is up to you to let them know that you expect them to safeguard your interests at home. Every member of Congress is very alert to the reactions of voters and you, fellow bankers, are voters.

Now the regulation "W" is over, I would like to say a few words about terms. I believe that every bank should seriously consider using the terms recommended by the Committee on Consumer Credit of the American Bankers Association. These terms are outlined in Bulletin No. 97, and the title to this bulletin is "Without Regulation 'W,' What?" Let me say that these terms are the result of careful study by the Committee, and the fact that they have been adopted in substance by the American Finance Conference, is further proof that the terms are sound. If these terms are *not* adopted by your institution, I only hope that any change will be towards *tightening* the terms rather than towards liberalizing them. As to rates, it is impossible to recommend any uniform rates for the whole country, as local conditions entirely govern that subject. However, I do want to say that in setting rates, you should be absolutely sure that they are sufficient to cover your costs, and still yield a fair return; and you must remember that your costs on installment loans are considerably higher than on single payment or commercial loans. The American Finance Conference has recommended that automobile loans covering used cars be based on the "cash loan value" instead of the average "retail value," as shown by authorized guide books. This recommendation is sound and I hope that it will be adopted by banks, as well as finance companies. I believe that used automobile values will remain high for some time, because I believe it is impossible for manufacturers to make any decrease on the price of new automobiles. It is an undisputed fact that the price of used cars is governed largely by the price of new cars, as well as being governed by the *production* of new cars. In other words, as long as there is a shortage of new cars due to insufficient production to satisfy the market, then the price of used cars will remain high. This same thing applies to other durable goods, such as electric refrigerators, washing machines, stoves, etc.

In closing, let me say again that I want to strongly emphasize my belief that consumer credit will be soundly administered without regulation "W," and that it is not at all out of line with current economic conditions. As I said before, statistics show that under normal non-war conditions the consumer owed an average of about 10% of his current annual income. At the present time the percentage owed is only about 7% of this income, and that at the present rate of increase it would be the end of 1948 before the 10% ratio would be reached. This is without making any allowance for further increases in average income, and of course that is not likely. Because of the diversification and the spread of risk, I believe that consumer credit outstanding is not only one of the most profitable, but also one of the safest assets in any bank portfolio, and that any bank that will adhere to the terms recommended by the A.B.A., plus sound credit policies, will continue to find these assets safe and profitable in the future. I only hope that you agree with me, and that you will carry this message home to the other officers and directors of your institutions.

Observations

(Continued from page 5)

the economic community, with the neurotic manifestations of a manic-depressive. Indeed, says Mr. Lewisohn, the chart of a "cyclothymic" patient looks very much like the chart of a business cycle; with both even having similar periods of normality.

Stock Market Psychoses

This was manifested with particular clarity in the stock market sphere in the period from 1927 to 1933. For in 1928 and 1929 we saw psychological aberrations manifested by price-earning ratios up to 200-1, $8 billion of brokers' loans, triply-pyramided holding companies founded in entire good faith by the investment expertize. We witnessed behavior wholly unrelated to either extrinsic or intrinsic market factors, and outweighing in importance even stimuli like the Federal Reserve's easy money policy. And after the frenzied finance bubble burst, it was certainly at least in part the "depressive" phase of the general psychosis which led the "patients" to appraise nearly all the nation's property at the bankruptcy level.

Almost always we see the volume of sales to the public of open-end investment trust shares fluctuate in direct correlation with the level of the stock market.

Conformity and Non-comformity

The behavior of the individual "speculator-investor" *vis-a-vis the crowd* also has close psychiatric analogies. During the first two years or so of the 1927-1929 bull market we saw the speculative excesses recognized as such by many analysts, sophisticated speculators—and shunned as well by some who were chronically motivated by the desire to travel with the minority. Yet at the still higher levels of speculative excess and price distortion of the peak year of 1929, following the need to appease the majority or other inability to travel alone, the previously wise individual (Paul Warburg constituting the rare exception), tragically for his subsequent peace of mind as well as his pocketbook, rationizingly convinced himself that he had been wrong and joined the bull pack.

We constantly witness something of the same kind of delayed conformity-with-the-crowd applied in a narrower sphere to individual securities. One of the services a year ago strongly recommended with complete statistics and elaborate economic analysis, the purchase of a certain airline stock at 47. For the same long-term reasons the recommendation was renewed at 37; and again, if somewhat less enthusiastically, after another fall to 27. But after another drastic fall to $7 per share the service changed its mind and recommended **sale** of the stock. Although there are other fallacies motivating this category of illogical behavior, remembering that the factors given for the prediction are long-term ones, the psychological compulsion to conformity-with-the-crowd constitutes at least one of the subconsciously motivating elements.

The behavior of the short interest likewise illustrates this emotional reaction *vis-a-vis the crowd.* Market history shows that chronically the bears illogically are more numerous at low periods and fewest at high market levels; and that they also often shift from the correct to the wrong position in subservience to "the crowd."

* * *

So the shortcomings in economic and financial prediction will continue until the arrival in our midst within a single skin of a combined Freud-Keynes—in other words, a 21st century Senior, Pigou, or Von Wiesen.

(Forecasting in relation to specific elements of the market place will be discussed in next week's instalment.)

Securities Now in Registration

● **INDICATES ADDITIONS SINCE PREVIOUS ISSUE**

Allied Gas Co., Paxton, Ill.
Oct. 9 (letter of notification) 4,020 shares ($10 par) common. To be offered for subscription at $10 a share to common stockholders. Unsubscribed shares will be purchased by Merritt H. Taylor, President. For construction and expansion purposes.

American Bankers Insurance Co. of Florida, Miami.
Nov. 3 (letter of notification) 2,500 shares of class A (par $10) common, 5,000 shares ($10 par) class B common, and 11,250 shares 8% ($10 par) cumulative preferred. **Price**—$240 per unit, consisting of 2 shares of class A, 4 shares of class B and 9 shares of preferred. No underwriting. For capitalization of company to enter into stock fire insurance business.

Americana Furniture, Inc. (12/2)
Oct. 23 filed 100,000 shares of 6% cumulative convertible preferred (par $5) and 100,000 shares (10¢ par) common and an additional 285,000 shares common issuable upon conversion of preferred and exercise of 35,000 common stock warrants to be sold to underwriters. **Underwriters**—Gearhart & Co., Inc., New York; Herbert W. Schaefer & Co., Baltimore, Md., and Comstock & Co., Chicago. **Offering**—To be offered publicly in units of one share of preferred and one share of common. **Price**—$5.10 per unit. **Proceeds**—To finance completion of its factory and for working capital.

● **American Insurance Co., Newark, N. J.**
Nov. 14 filed 663,504 shares of capital stock (par $2.50). **Underwriter**—The First Boston Corp. **Offering**—To be offered for subscription by stockholders on basis of one new share for each two shares held. Price by amendment. Unsubscribed shares to be publicly offered by underwriters. **Proceeds**—To be used for capital funds.

American Investm't Co. of Illinois, St. Louis, Mo.
Nov. 7 (letter of notification) 30,000 shares ($1 par) common. **Price**—$10 a share. No underwriting. To discharge a portion of indebtedness and for general corporate purposes.

American Steel & Pump Corp., New York
Oct. 31 filed 100,000 shares ($1 par) common. Underwriting to be filed by amendment. Price by amendment. **Proceeds**—To pay off indebtedness incurred in the acquisition of the capital stock of A. D. Cook, Inc., Lawrenceburg, Ind.

Appalachian Electric Power Co. (12/2)
Oct. 29 filed $28,000,000 first mortgage bonds, due 1977, and 75,000 shares of cumulative preferred. **Underwriting**—The bonds will be offered at competitive bidding. **Probable bidders**: The First Boston Corp.; Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc.; Glore, Forgan & Co. **Offering**—New preferred will be offered to holders of its outstanding 4½% cumulative preferred on the basis of one new share for each four shares held. **Proceeds**—For retirement of debt and partial financing of new construction. **Bids**—Bids for purchase of securities will be received up to 11:30 a.m. (EST), Dec. 2, at 30 Church Street, New York.

Associated Telephone Co., Ltd.
Oct. 16 filed 150,000 shares of cumulative preferred stock (par $20). No bids submitted Nov. 12 for preferred stock. **Proceeds**—To reimburse treasury for capital expenditures. Statement became effective Oct. 31.

Brayton Flying Service, Inc., Robertson, Mo.
March 24 (letter of notification) 50,000 shares ($1 par) 27½ cent cumulative, convertible preferred and 50,000 shares (10c par) common. Price—$5 per unit, consisting of one share of each. Underwriter—White and Co., St. Louis, Mo. For expansion of operating facilities and for working capital.

● **Brewers' Best Associates, Inc., New York**
Nov. 14 (letter of notification) 7,000 shares of capital stock. **Price**—$11.50 a share. No underwriting. For additional working capital.

● **Brown & Bigelow, St. Paul, Minn.**
Nov. 19 filed 1,038,207 shares of common stock (after split-up of 10-for-1). **Underwriter**—Otis & Co., Cleveland. **Proceeds**—Stock is being purchased from stockholders who will receive the proceeds. **Price**—$9.50 per share. **Business**—Company is world's largest manufacturer of "remembrance advertising."

● **Callahan Zinc-Lead Co., New York**
Nov. 13 (letter of notification) 3,500 shares ($1 par) common, being sold by H. B. Van Sinderen, of Washington, Conn., and 3,700 shares of common being sold by Harrison White, Inc., of New York. To be sold at market. No underwriting.

Callaway Mills, LaGrange, Ga.
Aug. 28 filed 123,306 shares (no par) common. **Underwriting**—No underwriting. **Offering** — Shares will be offered only to those stockholders who exchanged their holdings of common for preferred in 1945. **Price**—$35 a share. **Proceeds**—For corporate purposes.

Celotex Corp., Chicago (11/21)
Oct. 31 filed $3,000,000 3¼% debentures, due 1960. **Underwriting**—Paul H. Davis & Co., Chicago, and Union Securities Corp., New York. Price by amendment. **Proceeds**—To repay bank loans and for working capital.

Central Beverage Co., Scottsdale, Ariz.
Oct. 30 (letter of notification) 125,000 shares of common. **Price**—$1.15 a share. **Underwriter**—E. M. Fitch & Co., Inc., Philadelphia. For paying bank loans and for general corporate purposes.

Central Cooperative Wholesale, Superior, Wis.
Oct. 13 filed $750,000 of preferred stock. No underwriting. **Offering**—A portion of the stock will be offered for conversion of outstanding notes, on a dollar for dollar basis, and the balance will be offered to members and patrons eligible to become members. **Price**—From $25 to $25.75 from January to December, depending on the quarter in which the stock is sold. **Proceeds**—For construction of warehouse, expansion of inventories, and property additions.

Central Maine Power Co., Augusta, Maine
Nov .10 filed $4,000,000 first and general mortgage bonds, series P, due 1977, and 160,000 shares ($10 par) common. **Underwriting**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Halsey, Stuart & Co. Inc. (bonds only); Harriman Ripley & Co., The First Boston Corp. and Coffin & Burr (jointly). **Offering**—The bonds will be offered publicly while the common will be offered to 6% preferred and common stockholders for subscription on the basis of one-half share of new common for each preferred share held and one-tenth share of new common for each common share held. Price by amendment. **Proceeds**—For construction and repayment of bank loans.

Central Power & Light Co.
Oct. 31 filed plan to sell $6,000,000 1st mtge. bonds, due 1977, and 40,000 shares of cumulative preferred stock (par $100). **Underwriters**—To be sold at competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc. (bonds only); The First Boston Corp., Blyth & Co. and Harriman Ripley & Co. and Smith, Barney & Co. (jointly); Lehman Brothers and Glore, Forgan & Co. (jointly). Proceeds would be used for construction of additional generating capacity and for other facilities.

● **Century Steel Corp., Hollydale, Calif.**
Nov. 13 filed 4,000 shares ($100 par) common. No underwriting. **Price**—$100 a share. **Proceeds**—To purchase rolling mill, equipment and for working capital. **Business**—To produce steel in Los Angeles County.

Cessna Aircraft Co., Wichita, Kansas
Nov. 3 (letter of notification) 25,000 shares ($1 par) common, being offered by D. L. Wallace, President of the company. To be sold at market through Dempsey-Tegeler and Co., Los Angeles.

● **Chavannes Industrial Synthetics, Inc., N. Y.**
Nov. 14 (letter of notification) 29,900 units consisting of one share of cumulative convertible preferred (par $9.50) and two common shares (par 1¢). **Price**—$10 per unit. **Underwriter**—Donald S. Farrington, Hotel Chelsea, N. Y. City. Research and patent expenses.

● **Citizens Casualty Co. of New York**
Nov. 12 (letter of notification) 100,000 shares of common stock (to be voted on Dec. 15, next). The shares will be offered in exchange for 4,000 shares of 7% preferred stock in ratio of 25 common for each share of 7% preferred (plus accumulated dividends).

Cleveland (Ohio) Electric Illuminating Co.
Sept. 26 filed 254,989 shares (no par) preferred, series of 1947. **Underwriter** — Dillon, Read & Co., New York. **Offering**—To be offered share for share plus a cash adjustment for outstanding $4.50 preferred. Unexchanged shares of new preferred will be sold publicly. Price by amendment. **Proceeds**—To retire unexchanged shares of old preferred. Offering indefinitely postponed.

Cleveland Electric Illuminating Co. (12/9)
Nov. 12 filed $20,000,000 35-year first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders include: Blyth & Co.; Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Dillon, Read & Co. Inc.; The First Boston Corp.—**Proceeds**—For construction program. **Bids** for purchase of bonds tentatively set for Dec. 9.

● **Color Process Corp., New York**
Nov. 12 (letter of notification) 2,500 shares ($50 par) 6% preferred; 250 shares ($10 par) common and 250 warrants for purchase of common. **Price**—10 shares of preferred, $500, and $10 per common share. One warrant will be given free with each 10 shares of preferred. To be sold through H. J. Swilling, and Robert Freeman, both of Paterson, N. J. To purchase printing plant.

Colorado Central Power Co., Golden, Colo.
Sept. 8 (letter of notification) 9,872 shares ($10 par) common. **Price**—$30 a share. Company will sell the stock through investment bankers or security dealers and pay a commission of $1.25 a share. Proceeds will be used to repay a $100,000 loan and to reimburse its treasury cash.

Consumers Cooperative Assoc., Kansas City, Missouri
Oct. 16 filed $1,000,000 4% non-cumulative common stock ($25 par); $4,000,000 of 3½% certificates of indebtedness cumulative; and $1,000,000 of 1½% loan certificates cumulative. No underwriting. **Offering**—To the public. Common may be bought only by patrons and members. **Price**—At face amount. **Proceeds**—For acquisition of additional office and plant facilities.

● **Crystall Wave Products, Inc., Seattle, Wash.**
Nov. 3 (letter of notification) 4,999 shares ($1 par) common and 5,000 shares ($10 par) 6% cumulative preferred. **Price**—$11 per unit, consisting of one share of each. No underwriting. To pay indebtedness and for working capital.

Delaware Power & Light Co. (12/9)
Nov. 7 filed $10,000,000 1st mtge. coll. trust bonds, due 1977. **Underwriters**—To be sold at competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp., and Blyth & Co., Inc. (jointly); Morgan Stanley & Co.; Lehman Brothers. Proceeds would be used in connection with the company's construction program which involves an outlay of over $30,000,000 of additional generating, transmission and distribution facilities up to the end of 1949. **Bids** for purchase of bonds tentatively set for Dec. 9.

Denver-Rangely Oil Interests, Inc., Denver, Colorado
Oct. 27 (letter of notification) 500,000 shares (10¢ par) stock. **Price**—7½ cents a share. **Underwriter** — H. J. Newton and A. B. Kamp & Co., both of Denver. To purchase oil and gas leases and drill test well.

Dogpaw Gold Mines Ltd., Toronto
Oct. 22 filed 1,000,000 shares ($1 par) capital stock. **Underwriter**—Name to be filed by amendment. Price by amendment. **Proceeds**—To develop mining properties in Flint Lake locality of Ontario.

Doughboy Bottling Co., Pittsburgh, Pa.
Oct. 24 (letter of notification) 50,000 shares of 6% preferred ($5 par). **Price**—$5.75 a share. **Underwriter**—McLaughlin, MacAfee & Co., Pittsburgh, to acquire and equip a bottling plant.

East Utah Mining Co., Salt Lake City
Oct. 27 filed 1,075,000 shares (10¢ par) common. **Underwriter**—F. Eberstadt & Co., New York. **Offering**—To be offered to common stockholders at 30¢ a share. Three stockholders have agreed to exercise rights to subscribe for 368,533 shares for investment. Unsubscribed shares to underwriters, who will offer ⅔rds of unsubscribed shares to Newmont Mining Corp. and Olin Industries Inc. at 30¢ per share. **Proceeds**—To develop mining properties in Wasatch County, Utah.

Electric Steam Sterlizing Co., Inc., N. Y.
Sept. 22 (letter of notification) 65,000 shares of common stock (par 10¢). **Price**—65 cents per share. **Underwriter**—Reich & Co., New York. Purchase of inventory, etc.

Empire Projector Corp., New York
Aug. 21 (letter of notification) 80,000 shares ($1 par) common on behalf of the company, and 15,000 shares ($1 par) common on behalf of officers and stockholders. The 80,000 shares will be sold at $3 a share. L. D. Sherman & Co., New York, has withdrawn as underwriter.

● **Ethix Corp., Brooklyn, N. Y.**
Nov. 12 (letter of notification) 2,500 shares of 5% non-cumulative preferred (par $100) and 5,000 shares of common (par 10¢). **Price** per unit (one share of each), $100.10. Fannye Wortitz and Alfred S. Wortitz will purchase 2,500 common shares. **Underwriting**—None. For inventory, plant and operating expenses.

Firemen's Insurance Co., Newark, N. J.
Nov. 12 filed 120,462 shares ($5 par) common. **Underwriter**—Blyth & Co., Inc., New York. **Offering**—Shares initially will be offered to stockholders on basis of two shares for each 31 shares held. Unsubscribed shares will be offered publicly. Price by amendment. **Proceeds**—To be added to company's capital and surplus.

● **Fischer Baking Co., Newark, N. J.**
Nov. 17 (letter of notification) 299,000 5% cumulative non-voting preferred. **Price**—$100 per share. No underwriters. To refinance a part of corporate obligations and improve employee and employer relations.

NEW ISSUE CALENDAR

November 21, 1947

Celotex Corp. ---------- Debentures
Tenn. Odin Insurance Co. ---------- Capital Stock

November 24, 1947

Munising Wood Products Co., Inc. ---------- Pref. & Com.
Southern Pacific Co.
Noon (EST) ---------- Equip. Trust Ctfs.

November 25, 1947

New York New Haven &
Hartford RR ---------- Equip. Trust Ctfs.

November 26, 1947

Interstate Department Stores Inc. ---------- Debentures
Northwestern Public Service Co. ---------- Common

December 1, 1947

Seaboard Air Line RR.
Noon (EST) ---------- Equip. Trust Ctfs.

December 2, 1947

Americana Furniture, Inc. ---------- Pref. and Common
Appalachian Electric Power Co.
11:30 a.m. (EST) ---------- Bonds and Pref.

December 3, 1947

Mack Trucks, Inc. ---------- Common

December 4, 1947

Phillips Petroleum Co. ---------- Common

December 9, 1947

Cleveland Electric Illuminating Co. ---------- Bonds
Delaware Power & Light Co. ---------- Bonds
Georgia Power Co., 11 a.m. (EST) ---------- Bonds

December 16, 1947

Springfield Fire & Marine Ins. Co. ---------- Capital Stock

Forest Lawn Co., Glendale, Calif.
Oct. 7 (letter of notification) $295,000 3% debenture, series B, due 1967. To be sold to Forest Lawn Memorial-Park Association, Inc., at par, plus accrued interest. For capital improvements or investments.

Fraser Products Co., Detroit, Mich.
Oct. 21 filed 100,000 shares ($1 par) common. **Underwriters** — Campbell, McCarty & Co., and Keane & Co., both Detroit. **Price**—$7 a share. **Proceeds**—The shares are being sold by 14 stockholders who will receive proceeds.

Gabriel Co., Cleveland
Oct. 24 (letter of notification) 10,000 shares ($1 par) common, on behalf of Wm. H. Miller, a director of the company, to be sold at market. **Underwriter**—Sills, Minton & Co., Chicago. Indefinitely postponed.

General Finance, Inc., Concordia, Kansas
Nov. 5 (letter of notification) $100,000 of 5% debenture notes. To be sold at face amount. **Underwriter**—Robert J. Long & Co., Abilene, Kansas. To pay off mortgage indebtedness and for working capital.

● **General Instrument Corp., Elizabeth, N. J.**
Nov. 14 filed 150,000 shares of common (par $1). **Underwriter**—Burr & Co., Inc., New York. **Proceeds**—Stock being sold by four stockholders who will receive proceeds. Price by amendment.

Georgia Power Co., Atlanta (12/9)
Nov. 7 filed $10,000,000 30-year first mortgage bonds. Underwriting to be determined by competitive bidding. **Bids**—It is expected that the time for presentation and opening of proposals will be 11 a.m. (EST), Dec. 9. Probable bidders include: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Blyth & Co.; Smith, Barney & Co. and Kidder, Peabody & Co. (jointly); Lehman Brothers; Harriman Ripley & Co.; Goldman, Sachs & Co.; Lazard Freres & Co. and Equitable Securities Corp. (jointly); Shields & Co.; Drexel & Co.; The First Boston Corp. **Proceeds**—For construction program.

Gerity-Michigan Corp., Adrian, Mich.
Sept. 29 filed 40,049 shares ($1 par) common. **Underwriter**—Name to be filed by amendment. Price by amendment. **Proceeds** — The shares are being sold for the account of James Gerity, Jr., company president.

● **Glen Rock (N. J.) Farms Co., Inc.**
Nov. 17 (letter of notification) 16,000 shares of 6% non-cumulative preferred (par $10) and 8,000 shares common (par $10). **Price**—$34.50 per unit, consisting of two preferred and one common share. Purchase of machinery, property, leases, etc.

● **Graybar Electric Co., Inc., New York**
Nov. 17 filed voting trust certificates for 300,000 shares ($20 par) common. **Offering** — Exchange voting trust certificates for 300,000 shares of $20 par common.

● **Gulf States Utilities Co., Baton Rouge, La.**
Nov. 13 filed 272,852 shares (no par) common. No underwriting. **Offering**—The shares will be offered to stockholders on the basis of one new share for each seven held. The Company also plans to sell privately 50,000 shares ($100 par) preferred $4.50 series. Price by amendment. **Proceeds**—For new construction. **Business**—Public utility.

● **Hanna Manufacturing Co., Athens, Ga.**
Nov. 10 (letter of notification) $200,000 15-year 5% debentures, due 1962. **Price**—$1,000 per unit. **Underwriter**—Johnson, Lane, Space & Co., Inc., Savannah, Ga. To increase working capital and to purchase equipment.

Hanson-Van Winkle-Munning Co., Matawan, N. J.
Oct. 30 filed 21,000 shares ($3.50 par) common. **Underwriting** — The registration said that "the initial public offering is being made by Van Winkle Todd, of Matawan, N. J., and Harry P. Barrand, of Stamford, Conn., as underwriters by sale on the over-the-counter market of 100 shares each at the market price at the time of sale. In the event that any of the holders of the warrants exchange any such warrants for other than investment and offer the shares received for public sale, such offerer may be deemed an underwriter as that term is defined in the Securities Act of 1933." **Offering**—The shares are to be issued upon exercise of warrants issued on June 28, 1946. **Price**—Warrant holders are entitled to purchase 21,000 shares of common at $12.875 a share on and after June 28, 1947 up to June 27, 1948, or $14 per share to June 27, 1949. **Proceeds**—For general corporate purposes.

Hawaiian-Philippine Co., Manila, P. I.
Sept. 24 filed 500,000 shares 7% cumulative preferred, par 10 Philippines pesos per share (currency basis one neco equivalent to 50 cents). **Underwriting**—No underwriting. **Offering**—For subscription by common stockholders on the basis of one share for each 1¼ shares owned. **Price**—$5 a share. **Proceeds**—For rehabilitation program.

● **Heliogen Corp., New York**
Nov. 10 (letter of notification) 2,000 shares (par $5). **Price**—$5 per share. No underwriting. For general corporate purposes.

Hickok Manufacturing Co., Inc., Rochester, New York
Sept. 19 filed 200,000 shares ($1 par) common. **Underwriter**—E. H. Rollins & Sons, Inc., New York. **Price**—By amendment. **Proceeds**—The shares are being sold by 36 stockholders who will receive proceeds. Offering postponed indefinitely.

Hilo (Hawaii) Electric Light Co.
Oct. 27 filed 25,000 shares ($20 par) common. **Underwriting** — None. Unsubscribed shares will be sold at auction after Dec. 22, when subscription warrants expire. **Offering**—For subscription to common stockholders on the basis of one share for each two held. Price at par. **Proceeds**—To repay bank loans and finance construction.

● **Horwell and Sibbits, Runnemede, N. J.**
Nov. 13 (letter of notification) 350 shares (no par) common. **Price**—$10 a share. No underwriting. For working capital and to acquire a plot of land.

Hungerford Plastics Corp., Murray Hill, N. J.
Nov. 3 (letter of notification) 5,000 shares of common stock (par 25¢) being offered by two stockholders. To be sold at market through Buckley Brothers under an option which expires Nov. 24.

Illinois-Rockford Corp., Chicago
July 24 filed 120,000 shares ($1 par) common. **Underwriters**—Brailsford & Co., and Straus & Blosser, Chicago. **Price**—$9.25 a share. **Proceeds**—The shares are being sold by four stockholders and represent part of the stock the sellers will receive in exchange for their holdings of four furniture companies to be merged with the registrant. The merging companies are Toccoa Manufacturing Co. and Stickley Brothers, Inc., both Illinois corporations, and the Luce Corp. and Stickley Bros. Institutional Furniture Co., both Michigan corporations.

Indianapolis Power & Light Co.
Oct. 9 filed 50,000 shares ($100 par) cumulative preferred. **Underwriters**—Names by competitive bidding. Probable bidders: Lehman Brothers; Blyth & Co., Inc.; W. C. Langley & Co. **Proceeds**—For new construction purposes.

Inglewood Gasoline Co., Beverly Hills
July 7 (letter of notification) 100,414.8 shares ($1 par) capital stock. **Price**—$1 a share. To be offered to stockholders. Unsubscribed shares to be offered publicly through Bennett & Co., Hollywood. To purchase equipment, liquidate indebtedness, and for working capital. An amended application may be filed in near future.

Interstate Department Stores, Inc. (11/26)
Oct. 30 filed $5,000,000 15-year sinking fund debentures. **Underwriter**—Lehman Brothers, New York. Price to be filed by amendment. **Proceeds**—To repay bank loans and for general corporate purposes including the financing of new stores.

Interstate Power Co., Dubuque, Iowa
May 13 filed $19,400,000 of first mortgage bonds, due 1977, and 2,132,223 shares ($3.50 par) capital stock. Proceeds—For debt retirement, finance new construction and for working capital. Bonds awarded Sept. 24 to Halsey, Stuart & Co. Inc. on bid of 101.90 for a 3½% coupon rate. Stock awarded Sept. 24 on bid of $4.05 per share to Lehman Brothers, Goldman, Sachs & Co. and Wertheim & Co. The SEC on Sept. 25 rejected the bid for the stock. The SEC in its decision declared the price offered for the stock "would not effectuate a reorganization plan which would be fair and equitable to the persons effected thereby." The SEC's action also held up the sale of the bonds.

Johnson Automatics, Inc., Boston
Oct. 10 (letter of notification) 95,000 shares of common. To be sold at market. **Underwriter**—George F. Breen, New York. For additional working capital. Issue will be placed privately.

Kalamazoo (Mich.) Paper Co.
Nov. 5 (letter of notification) 2,359 shares of common being sold by the trustees of the estate of George L. Gilkey, deceased. **Price**—$22.50 a share. **Underwriter**—Paine, Webber, Jackson & Curtis, Grand Rapids, Mich.

Keystone Steel & Wire Co., Peoria, Ill.
Oct. 30 filed 41,270 shares (no par) common. **Underwriter**—Paul H. Davis & Co. and Union Securities Corp. Price by amendment. **Proceeds**—Shares are being sold by National Lock Co., Rockford, Ill., a subsidiary.

Laurel (Md.) Harness Racing Association, Inc.
Oct. 23 filed 348,000 10-year 6% cumulative income debentures and 109,100 shares (1¢ par) common. No underwriting. **Price**—$1,001 per unit, consisting of $1,000 of debentures and 100 shares of common. **Proceeds**—Proceeds will be put in escrow and will not be used before definite dates for a meet have been assigned to the association by the Maryland Racing Commission.

Legend Gold Mines, Ltd., Toronto, Canada
June 27 filed 300,000 shares ($1 par) common treasury stock. **Underwriting** — To be supplied by amendment. **Price**—50 cents a share. **Proceeds**—To develop mining properties. **Business**—Mining.

Liberty Loan Corp., Chicago
Sept. 25 filed 100,000 shares ($10 par) 75-cent cumulative convertible preferred, and 100,000 shares of Class A common, reserved for conversion of the preferred. **Underwriter**—Sills, Minton & Co. **Price**—$15 a share. **Proceeds**—To reimburse treasury for cost of redeeming 50-cent preferred.

Lock Nut Corp. of America
Oct. 6 (letter of notification) 24,000 shares of 5% cumulative convertible preferred stock (par $12.50). **Underwriter**—Ray T. Haas, Chicago. **Price**—$12.50 per share. General corporate purposes.

● **McAleer Manufacturing Co., Rochester, Mich.**
Nov. 10 (letter of notification) $1,000 shares ($1 par) common on behalf of C. M. Higbie, Jr., Board Chairman. To be sold at market through brokers.

● **Mack Trucks, Inc., New York (12/3-4)**
Nov. 13 filed 150,000 shares (no par) common. **Underwriters**—Hayden, Stone & Co., Adamex Securities Corp., both of New York. Price by amendment. **Proceeds**—To repay bank loans and for working capital.

Manhattan Coil Corp., Atlanta, Ga.
May 20 filed $500,000 5% serial debentures, due 1949-1957; 12,000 shares ($25 par) 5½% cumulative convertible preferred and 85,000 shares ($1 par) common. Underwriter—Kirchofer & Arnold, Inc., Raleigh, N. C. Price—The debentures at 102.507, while the preferred shares will be offered at par and the common shares at $4 each. Proceeds—To retire bank indebtedness and to finance purchase of machinery and other plant equipment.

Middle States Telephone Co. of Illinois, Chicago
Nov. 7 (letter of notification) 13,125 shares of common. No underwriting. For additions and replacements to its property.

Munising Wood Products Co., Inc. (11/24)
Sept. 29 filed 50,000 shares ($10 par) 5% cumulative convertible preferred and 100,000 shares ($1 par) common. **Underwriters** — Straus & Blosser and Brailsford & Co., both of Chicago. **Price** — $10 a preferred share and $6.12½ a common share. **Proceeds** — The securities are being sold by 12 stockholders who will receive proceeds.

● **National Capital Life Insurance Co., Washington, D. C.**
Nov. 10 (letter of notification) 10,000 shares ($10 par) capital stock. **Price**—$20 a share. To be sold through president of company. For capital and surplus purposes and for organization of company.

● **North American Discount Corp., Philadelphia**
Nov. 12 (letter of notification) 25,000 shares of preferred (par $10). **Price**—$10 per share. No underwriting. Working capital, etc.

North American Oil Co., Baltimore, Md.
Nov. 7 (letter of notification) 25,000 shares of common. **Price**—90 cents a share. **Underwriter**—Henry White & Co., Baltimore, Md. For payment and development of mining lease.

Northern Indiana Public Service Co., Hammond, Ind.
Oct. 29 filed 272,694 shares ($20 par) cumulative preference stock. **Underwriters**—Central Republic Co. Inc., Chicago; The First Boston Corp., and Blyth & Co. Inc., New York. **Offering**—For subscription by common stockholders on basis of one preferred share for each eight common shares held. Unsubscribed shares will be offered publicly. **Price**—$21 a share. **Proceeds**—To improve its public utility system.

● **Northern Natural Gas Co., Omaha, Neb.**
Nov. 14 filed 710,500 shares of common stock (par $10). **Underwriters**—To be sold through competitive bidding. Probable bidders: Blyth & Co., Inc.; Dillon, Read & Co. Inc. Price by amendment. Northern has set a maximum offering price of $35 per share. **Proceeds**—Shares being sold by North American Light & Power Co. which will use proceeds to retire 109,255 shares of its own $6 preferred stock held by others than North American Co.

Northwestern Public Service Co. (11/27)
Oct. 28 filed 82,000 shares ($3 par) common. **Underwriter**—A. C. Allyn & Co. **Offering**—Offered for subscription by stockholders on the basis of one share for each five shares held at $9.75 per share. Rights expire Nov. 26. Unsubscribed to public through underwriters. **Proceeds**—To be added to general funds.

(Continued on page 46)

(Continued from page 45)

Orange Concentrates Associates, Inc., Boston
Oct. 21 filed 108,000 shares ($1 par) common. No underwriting. **Offering**—The shares are owned by National Research Corp., parent of the registrant, and will be offered for purchase by its stockholders. **Price**—$7.75 a share. **Proceeds**—National Research will receive proceeds.

● Pacific Speedway Enterprises, Inc., Long Beach, Calif.
Nov. 10 (letter of notification) 300,000 shares ($1 par) preferred **Price**—$1 a share. **Underwriters**—Hopkins, Thomas, Harbach & Co.; Buckley Brothers, Fewel & Co., all of Los Angeles. To build midget automobile race track.

● Patented Plastics, Inc., Cleveland
Nov. 14 (letter of notification) 200 shares ($100 par) class A convertible 4% preferred and 200 shares (no par) common ($1 declared value). **Price**—$100 a preferred share and $1 a common share. No underwriting. To pay off note and for working capital.

Pathe Industries, Inc., Cleveland, Ohio
Oct. 31 (letter of notification) $300,000 of 5% convertible subordinated debentures, due 1957. **Underwriter**—Otis & Co., Cleveland. For additional working capital.

Peter Paul, Inc., Naugatuck, Conn.
Nov. 6 (letter of notification) 11,955 shares (no par) common, to be offered for subscription at $25 a share to present stockholders. No underwriting. For expansion and working capital.

Phillips Petroleum Co., New York (12/4)
Oct. 31 filed 1,007,517 shares (no par) common. **Underwriter**—The First Boston Corp., New York. **Offering**—Offered to common holders of record Nov. 19 in the ratio of one new share for each five held at $49 per share. Rights expire 3 p.m. Dec. 3. Unsubscribed shares will be offered publicly. **Proceeds**—To repay bank loans and for working capital.

Publix Shirt Corp., New York
Oct. 3 filed 140,000 shares ($1 par) common. **Underwriter**—Reynolds & Co., New York. Price by amendment **Proceeds** — The shares are being sold by three stockholders who will receive proceeds. Offering tentatively expected this month.

Reading (Pa.) Tube Co.
Oct. 28 filed 200,000 shares (no par) 50¢ cumulative class A and participating stock, 50,000 shares (10¢ par) class B stock, and 50,000 shares class B stock issuable upon redemption of the class A stock. **Underwriter**—Aetna Securities Corp., New York. **Offering**—Class A stock will be offered publicly at $6 and class B stock will be sold to underwriters for investment at 10¢ per share. **Proceeds**—To pay bank loans.

Remec Pump Co., Elyria, O.
Nov. 7 (letter of notification) 39,700 shares (50¢ par) common. **Price**—$2.75 a share. No underwriting. For reduction of debt and for working capital.

● Sebewaing (Mich.) Brewing Co.
Nov. 13 (letter of notification) 122,666 shares ($1 par) common. **Price**—$1 a share to present stockholders and $1.15 to the public. Public sale of unsubscribed shares will be handled through licensed brokers. To liquidate loans and for working capital.

Sherer-Gillett Co., Marshall, Mich.
Oct. 24 (letter of notification) 10,000 shares ($1 par) common. **Price**—$6.50 a share. **Underwriter**—First of Michigan Corp., Detroit. For construction purposes and for working capital.

Silver Buckle Mining Co., Wallace, Idaho
Oct. 13 (letter of notification) 1,500,000 shares of (10c par) stock. **Price**—20 cents a share. **Underwriters**—F. E. Scott, Pennaluna & Co., J. E. Scott and Morris George, all of Wallace, Idaho, and John Erickson and Harold Gribble, both of Mullan, Idaho. For mine development.

Silverore Mines, Inc., Wallace, Idaho
Oct. 28 (letter of notification) 1,345,000 shares of common. Company is selling 1,000,000 of the total and the balance is being sold by four stockholders. **Price**—15¢ a share. The company will offer the securities directly with the aid of L. E. Nicholls & Co. and W. T. Anderson, both of Spokane, Wash., as underwriters. The company will use its proceeds for mining operations.

● Southern California Edison Co.
Nov. 18 filed $20,000,000 cumulative preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly); Blyth & Co., Inc. **Proceeds**—Partial repayment of current bank loans.

Southwest Natural Gas Co., Shreveport, La.
Oct. 20 (letter of notification) 25,000 shares of common on behalf of R. M. Craigmyle, President of the company. To be sold at market. **Underwriter**—Craigmyle, Pinney & Co., New York.

Southwestern Gas & Elec. Co., Shreveport, La.
Nov. 5 filed $7,000,000 30-year first mortgage bonds, series B. **Underwriting**—To be determined at competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., Lehman Brothers and Lazard Freres & Co. (jointly); White, Weld & Co. and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Harriman, Ripley & Co. **Proceeds**—To finance construction program.

Springfield Fire & Marine Insurance Co. (12/16)
Oct. 29 filed 200,000 shares ($10 par) capital stock. **Underwriters**—The First Boston Corp., and Kidder, Peabody & Co., New York. **Offering**—Offered to stockholders of record Oct. 6 at $38 per share on the basis of one share for each 2½ shares held. Rights expire 3 p.m. Dec. 5. Unsubscribed shares will be sold publicly. **Proceeds**—To be added to company's capital funds.

● Stanwood Oil Corp., New York
Nov. 12 (letter of notification) $200,000 of Series A 5% notes and 10,000 shares (no par) common. **Price**—$100 per note. Five shares of common will be issued with each $100 principal amount of notes. **Underwriter**—E. J. Drake, New York. To pay indebtedness and for working capital.

● Steam Motive Power, Inc., Mishawaka, Ind.
Nov. 14 (letter of notification) 60,000 shares ($1 par) class A common. **Price**—$5 a share. **Underwriters**—Harrison & Austin, Inc.; Ferron R. Davis, Inc.; and Herbert S. Wolff Securities Co., all of South Bend, Inc. To organize business and for working capital.

Sterling Engine Co., Buffalo, N. Y.
Nov. 5 (letter of notification) 5,000 shares of common on behalf of Addison F. Vars, board Chairman. To be sold at market through A. G. Becker & Co. as agents.

● Strong Manufacturing Co., Sebring, Ohio
Nov. 12 (letter of notification) 3,674 shares (no par) common. **Price**—$10 a share. **Underwriter** — Gunn, Carey and Co., Cleveland. For operating expenses.

Sunray Oil Corp.
Nov. 12 filed $40,000,000 20-year debentures and a new issue of cumulative convertible second preferred stock, series of 1947 (par $100). The interest rate of the debentures and the dividend rate of the second preferred stock will be filed by amendment. **Underwriters**—Eastman, Dillon & Co. heads a group of underwriters. **Purpose**—To financing merger of Pacific Western Oil Corp. and Mission Corp. into Sunray.

● Tennessee Odin Insurance Co., Knoxville, Tenn. (11/21)
Nov. 12 (letter of notification) 15,300 shares (no par) capital stock. **Price** — $9.25 a share. **Underwriters**—Elder, Wheeler & Co., Chattanooga, Tenn. and J. C. Bradford & Co., Nashville, Tenn. For business expansion.

Thornton Lumber Co., Ravalli, Mont.
Oct. 27 (letter of notification) 1,152 shares ($100 par) common and 1,848 shares ($100 par) 6% cumulative preferred. To be sold at par. **Underwriter**—L. A. Donahue, Billings, Mont. For payment of liabilities and construction of mill.

Union Bag & Paper Corp., New York
Nov. 12 filed 211,861 shares (no par) capital stock. **Underwriter**—Morgan Stanley & Co., New York. **Offering**—Shares will be offered to stockholders on basis of one share for each six held of record Dec. 1. Rights expire Dec. 16. Price by amendment. **Proceeds**—To finance new construction. **Business**—Bag and paper business.

● United American Life Insurance Co., Denver, Colorado
Nov. 10 (letter of notification) 3,301 shares ($1 par) common. **Price**—$6 a share. No underwriting. For capital and surplus purposes.

● United Mining Development Co., Las Vegas, Nevada
Nov. 13 (letter of notification) 2,500,000 shares (10¢ par) common. **Price**—10 cents a share. No underwriting at present. To acquire mining properties and for their development.

● Ward Leonard Electric Co., Mt. Vernon, N. Y.
Nov. 17 (letter of notification) 30,220 shares of common. **Price**—$7 a share to employees with 10 years' service or more. No underwriting. To be added to capital and paid-in surplus and to be used as working capital.

Washington (D. C.) Gas Light Co.
Nov. 7 filed 85,000 shares (no par) common. No underwriting. **Offering**—The shares will be offered for subscription to common stockholders on the basis of one share for each five held. Price by amendment. **Proceeds**—To be added to general funds for current construction program. **Business**—Public utility.

● Watson Standard Co., Pittsburgh, Pa.
Nov. 13 (letter of notification) 2,000 shares ($100 par) 5% preferred. **Price**—$100 a share. No underwriting. For additional working capital.

Western Light & Telephone Co., Inc., Kansas City, Kansas
Nov. 6 (letter of notification) 10,000 shares of 5% cumulative preferred. **Price**—$28.50 a share. **Underwriters**—The First Trust Co. of Lincoln, Neb., and Harris, Hall & Co. (Inc.), Chicago. For expansion of plant facilities.

White Motor Co., Cleveland, O.
Oct. 28 filed 275,000 shares ($1 par) stock. **Underwriter**—Hornblower & Weeks, New York. **Offering**—Proposed offering postponed indefinitely according to an announcement Nov. 17.

● Wisconsin Central Airlines, Clintonville, Wis.
Nov. 18 filed 125,000 shares ($1 par) common. **Underwriter**—Loewi & Co. **Price**—$4 a share. **Proceeds**—To purchase aircraft, repay notes and for working capital. **Business**—Air transportation.

Prospective Offerings

● Atlantic Coast Fisheries Co.
Dec. 1 stockholders will vote on authorizing the issuance and sale of $556,500 mortgage and collateral trust bonds. It is proposed that the bonds will first be offered to the stockholders and that the unsubscribed portion will be purchased by underwriters.

● Central Illinois Public Service Co.
Nov. 24 the SEC will hold hearings on company's petition to sell at competitive bidding $10,000,000 first mortgage bonds, series B, due Sept. 1, 1977, to finance its construction program. Probable bidders include: Halsey, Stuart & Co. Inc.; The First Boston Corp.

● Consolidated Edison Co. of New York, Inc.
Nov. 25 New York P. S. Commission at adjourned hearing will consider company's application to issue 1,750,000 shares of new preferred stock and $57,382,635 principal amount of convertible debentures. Proceeds from the sale of new preferred shares will be applied to the redemption at $105 of present 2,188,885 shares of $5 cumulative preferred stock. Proceeds from the sale of the convertible debentures will be applied (1) to redemption of the present preferred stock and (2) to reimbursement of company's treasury for sums expended for recent plant additions. Stockholders will vote Dec. 1 on approving the proposed financing. The debentures are to be offered at 100 to stockholders on the basis of $5 of debentures for each common share held, and unsubscribed balance sold on competitive bidding to underwriters. Probable bidders: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc.; The First Boston Corp.

● Dr. Pepper Co.
Dec. 18 stockholders will vote on authorizing the borrowing of $2,000,000 to be evidenced by a first mortgage and bearing interest at rate of 3½% per annum.

● Goebel Brewing Co.
Dec. 19 stockholders will vote on authorizing 25,000 shares of 4½% cumulative preferred stock (par $100) and on releasing preemptive rights to common stockholders to subscribe for or to purchase any of said preferred.

● Joy Manufacturing Co.
Nov. 5 stockholders voted to increase authorized capital from 1,000,000 shares common to 3,100,000 shares, to consist of 100,000 shares preferred and 3,000,000 shares common. Directors are presently considering plans to issue 40,000 shares convertible preferred to be first offered for subscription to stockholders. Probable underwriters: Hallgarten & Co., and R. W. Pressprich & Co.

● New York, New Haven & Hartford R. R. (11/25)
Company will receive bids up to Nov. 25 for the sale of $2,200,000 one to 15-year equipment trust certificates. Probable bidders: Salomon Bros. & Hutzler; Halsey, Stuart & Co. Inc.

● Salt Dome Oil Corp.
Nov. 19 corporation plans to file with the SEC shortly a registration statement for 100,000 additional shares ($1 par) stock for offering to stockholders.

● Seaboard Air Line R. R. (12/1)
Bids will be received up to noon Dec. 1 (EST) at office of Willkie, Owen, Farr, Gallagher & Walton, 15 Broad Street, New York, for the sale of $7,590,000 equipment trust certificates, due $500,000 annually Dec. 15, 1948-1962. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

● Southern Pacific Co. (11/24)
The company is asking for bids on $14,500,000 equipment trust certificates, series W, maturing Dec. 1, 1948-57. All bids must be received before noon Nov. 24, at Room 2117, 165 Broadway, N. Y. City. Proceeds will be applied toward a $21,785,790 equipment program. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● Wilson Jones Co.
Nov. 12 directors voted, subject to effective registration with SEC, to offer stockholders of record Jan. 28, 1948, right to subscribe at $12 per share to one additional share for each eight shares held. Rights to be issued Feb. 12 would expire March 12, 1948.

Our Reporter's Report

With three syndicates in the running, Consolidated Edison Co. of N. Y.'s $30,000,000 of first and refunding bonds, due in 25 years, provided the week's major operation in the new issue market.

Carrying top investment rating in the offering, at competitive bidding, provide a substantial test of the current market which appears to be levelling out after its recent protracted period of easing.

Bids of the three competing groups were not too widely separated ranging from the winning tender of 100.4199 down to the lowest of 100.136, with the runners-up offering the company a price of 100.2699 all for a 3% coupon.

So it figures out that the spread between the winning bid and that of the runner-up was only about $1.50 a $1,000 bond with the third group's bid showing a differential of just about $2.84 a thousand.

Reoffered at 101.05 to return an indicated yield of about 2.94% the bonds got away to a slow start as some large institutional buyers shied away. But with the latter experiencing a change of heart and one of the biggest coming in for a block, reportedly $5,000,000, subscriptions picked up substantially with an early closing of the books indicated.

Phillips Pete at $49

With its outstanding stock commanding a price of 57 or better in the open market Phillips Petroleum Corp. would seemingly have assured the success of its new offering to shareholders by fixing a subscription price of $49 a share.

Holders of record as of Nov. 18 are entitled to subscribe for the 1,007,517 shares of additional common in the ratio of one new share for each five shares held. The issue is being underwritten by a banking group on a basis of a discount of $1.1025 a share, netting the company $47.8975 a share.

At recent prices for the outstanding stock, it would appear that the subscription "rights" have an indicated worth of about $1.40 or thereabouts.

Big Stock Sale Ahead

As time goes on the efforts of big utility holding companies to comply with the death sentence clause of the Public Utility Holding Company Act brings to market large blocks of stocks of operating companies which have been closely held for years.

Such an instance comes to hand about the middle of next month with the North American Power & Light Co. expects to sell at competitive bidding, its holdings of Northern Natural Gas Co. common stock.

These holdings total 710,500 shares, and already two banking groups have been formed to compete for the issue, one headed by a West Coast Banking firm and the other by a Wall Street house.

Looking to Early 1948

New York State and the Port of New York Authority promise to give the municipal market plenty to think about soon after the turn of the year, provided the market has recovered its composure by that time.

Along through January or soon thereafter, the State is expected to put out feelers looking toward the marketing of the $400,000,000 of Veterans' Bonus Bonds voted by the electorate a fortnight ago.

Austin J. Tobin has stated that the Authority plans to market early next year, bonds, "in an amount tailored to the market and sufficient to cover the first costs of airport construction." This could ultimately reach well above the $200,000,000 mark.

Going to the Lender

Oil companies as a group have been showing strong tendency to go direct to the institutional lender rather than follow the orthodox method of approaching the new money market.

Tide Water Association Oil has decided to place a $50,000,000 issue of debentures with one of the large insurance companies, to retire almost 2,000,000 shares of its stock now held by Pacific Western Oil and Mission Corp.

Meantime Shell Pipeline Corp. has secured $10,000,000 from a group of banks while Overseas Tankship Corp., has obtained $5,000,000 from similar sources.

DIVIDEND NOTICE

LOEW'S INCORPORATED

"THEATRES EVERYWHERE"

November 19th, 1947

THE Board of Directors has declared a quarterly dividend of 37½c per share on the outstanding Common Stock of the Company, payable on December 31st, 1947, to stockholders of record at the close of business on December 11th, 1947. Checks will be mailed.

CHARLES C. MOSKOWITZ,
Vice President & Treasurer

FINANCIAL NOTICE

COLUMBIA GAS & ELECTRIC CORPORATION

EARNING STATEMENTS FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 1947

Columbia Gas & Electric Corporation has made generally available to its security holders corporate and consolidated earning statements for the period October 1, 1946 to September 30, 1947, such period beginning after the effective date of the Corporation's Registration Statement for $20,000,000 principal amount of 1⅞% Serial Debentures and $77,500,000 principal amount of 3⅛% Debentures Due 1971, filed with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended. Upon request, addressed to the Corporation at 61 Broadway, New York 6, N. Y., copies of such earning statements will be mailed to the Corporation's security holders and to other interested parties. Such earning statements are made generally available to security holders in accordance with the provisions of Section 11(a) of the Securities Act of 1933, as amended.

COLUMBIA GAS & ELECTRIC CORPORATION,
by E. D. BIVENS,
November 14, 1947. *Treasurer*

BUY SAVINGS BONDS

DIVIDEND NOTICES

INTERNATIONAL SALT COMPANY
475 Fifth Avenue, New York 17, N. Y.

A dividend of ONE DOLLAR AND TWENTY-FIVE CENTS a share has been declared on the capital stock of this Company, payable December 16, 1947, to stockholders of record at the close of business on December 2, 1947. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN, *Secretary.*

E. I. DU PONT DE NEMOURS & COMPANY

WILMINGTON, DELAWARE: *November 17, 1947*

The Board of Directors has declared this day regular quarterly dividends of $1.12½ a share on the outstanding Preferred Stock — $4.50 Series and 87½¢ a share on the outstanding Preferred Stock—$3.50 Series, both payable January 24, 1948, to stockholders of record at the close of business on January 9, 1948; also $2.00 a share, as the year-end dividend for 1947, on the outstanding Common Stock, payable December 13, 1947, to stockholders of record at the close of business on November 24, 1947.

L. duP. COPELAND, *Secretary*

The Board of Directors of

PITTSBURGH CONSOLIDATION COAL COMPANY

at a meeting held today, declared a quarterly dividend of 50 cents per share on the Common Stock of the Company, payable on December 12, 1947, to shareholders of record at the close of business on November 28, 1947. Checks will be mailed.

CHARLES E. BEACHLEY,
Secretary-Treasurer

November 17, 1947

The United Corporation

$3 Cumulative Preference Stock

The Board of Directors of The United Corporation has declared a dividend of 75c per share, accrued at October 1, 1947 upon the outstanding $3 Cumulative Preference Stock, payable December 9, 1947 to the holders of record at the close of business December 1, 1947.

THOMAS H. STACY,
Secretary.

November 19, 1947
Wilmington, Delaware

REYNOLDS METALS COMPANY

Reynolds Metals Building
Richmond 19, Virginia

PREFERRED DIVIDEND
COMMON DIVIDEND

The regular dividend of one dollar thirty-seven and one-half cents ($1.375) a share on the outstanding 5½% cumulative convertible preferred stock has been declared for the quarter ending December 31, 1947, payable January 1, 1948, to holders of record at the close of business December 19, 1947.

A dividend of seventy-five cents (75¢) a share on the outstanding common stock has been declared payable December 31, 1947, to holders of record at the close of business December 19, 1947.

The transfer books will not be closed. Checks will be mailed by Bank of the Manhattan Company.

ALLYN DILLARD, *Secretary*

***Dated,* November 13, 1947**

SOUTHERN CALIFORNIA EDISON COMPANY

Preferred Dividends

The Board of Directors has authorized the payment of the following quarterly dividends:

37½ cents per share on Original Preferred Stock, payable December 31, 1947, to stockholders of record on December 5, 1947.

27 cents per share on Cumulative Preferred Stock, 4.32% Series, payable on December 31, 1947, to stockholders of record on December 5, 1947.

O. V. SHOWERS
Secretary

November 13, 1947

DIVIDEND NOTICES

Johns-Manville Corporation

DIVIDEND

The Board of Directors declared a year-end dividend of 55¢ per share on the Common Stock payable December 11, 1947, to holders of record December 1, 1947.

ROGER HACKNEY, *Treasurer*

Atlas Corporation

Dividend on Common Stock

NOTICE IS HEREBY GIVEN that a regular quarterly dividend of 40¢ per share has been declared on the Common Stock of Atlas Corporation, payable December 20, 1947, to holders of such stock of record at the close of business November 28, 1947.

WALTER A. PETERSON, *Treasurer*

November 17, 1947.

BRIGGS & STRATTON CORPORATION

83rd DIVIDEND

The Board of Directors has declared a dividend of twenty-five cents (25c) per share and an extra dividend of one dollar and twenty-five cents ($1.25) per share, less 2.75 per cent Wisconsin privilege dividend tax, on the capital stock (without par value) of the Corporation, payable December 15, 1947 to stockholders of record November 28, 1947.

L. G. REGNER, Secretary

November 18, 1947

American Woolen Company

INCORPORATED

AT a meeting of the Board of Directors of the American Woolen Company, held today, the following dividends were declared:

A regular quarterly dividend of $1.00 per share on the $4 Cumulative Convertible Prior Preference Stock payable December 15th, 1947 to stockholders of record December 1st, 1947.

A regular quarterly dividend of $1.75 per share on the 7% Cumulative Preferred Stock payable January 15th, 1948 to stockholders of record December 30th, 1947.

A dividend of $1.50 per share together with an extra dividend of $2.00 per share on the Common Stock payable December 15th, 1947 to stockholders of record December 1st, 1947.

Transfer books will not close.

Dividend checks will be mailed by the Guaranty Trust Company of New York.

F. S. CONNETT,
Treasurer.

November 19, 1947.

DIVIDEND NOTICES

REEVES BROTHERS, INC.

DIVIDEND NOTICE

A dividend of 25c per share has been declared, payable January 2, 1948, to stockholders of record at the close of business December 3, 1947. The transfer books of the Company will not be closed.

J. M. REEVES, *Treasurer*

November 17, 1947

EASTERN RACING ASSOCIATION, INC.

Suffolk Downs

Dividend Notice

At a meeting of the Board of Directors of Eastern Racing Association, Inc., held on November 12, 1947, the regular quarterly dividend of 25 cents per share upon the Preferred Stock, and also the regular quarterly dividend of 25 cents per share on the Common Stock, (both on the No Par and on the $2.00 Par) were declared payable on January 2, 1948 to stockholders of record at the close of business December 20, 1947.

ALLAN J. WILSON
President

November 18, 1947

Bayuk Cigars Inc.

A dividend of thirty-seven and one-half cents (37½c) per share on the Common Stock of this Corporation was declared payable Dec. 16, 1947, to stockholders of record Dec. 1, 1947.

An extra dividend of fifty cents (50c) per share on the Common Stock of this Corporation was declared payable Dec. 16, 1947 to stockholders of record Dec. 1, 1947.

Checks will be mailed.

John A. Snyder
TREASURER

Philadelphia, Pa.
Nov. 14, 1947

PHILLIES

America's No 1 cigar

AMERICAN CYANAMID COMPANY

Preferred Dividend

The Board of Directors of American Cyanamid Company on November 18, 1947, declared a quarterly dividend of eighty-seven and one-half cents ($.875) per share on the outstanding shares of the Company's 3½% Cumulative Preferred Stock, Series A, payable January 2, 1948, to the holders of such stock of record at the close of business December 1, 1947.

Common Dividends

The Board of Directors of American Cyanamid Company on November 18, 1947, declared

1. **A quarterly dividend of twenty-five cents (25¢) per share on the outstanding shares of the Common Stock of the Company, payable January 2, 1948, to the holders of such stock of record at the close of business December 1, 1947;**

   and

2. **A special dividend of fifty cents (50¢) per share on the outstanding shares of the Common Stock of the Company, payable January 2, 1948, to the holders of such stock of record at the close of business December 1, 1947.**

W. P. STURTEVANT, *Secretary.*

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

If by some miracle President Truman got today, without strings, the power he asks "generally to restrain the creation of inflationary bank credit" he wouldn't know what to do about it.

Likewise his buddies at the Treasury, Federal Deposit Insurance Corp., Federal Reserve Board, and office of the Comptroller of the Currency, would not know what to do about it. One of the cruelest fates they could suffer would be to be given unrestrained authority to do the restraining of credit, subject only to getting their political heads chopped off pronto if they guessed wrong.

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For, despite the fact that the subject of monetary controls was at the top of the President's anti-inflation program recommended Monday to Congress, neither the President nor his chief advisers have settled on what they want to do with this broad request for power—should they get it.

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There is one theoretical way to restrain "inflationary" bank credit, if the mechanical means could be found to operate it. That would be to have the supervisory authorities sit at the elbows of the banks' officers and separate the sheep from the goats of tens of thousands of credit applications. In such a situation the supervisory officials would substitute their judgment for the judgment of the local banks as to what was and what was not a desirable loan, from the credit control viewpoint.

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This is preposterous, of course. None of the supervisory officials would care to get caught in such a crack. But is does illustrate what Mr. Truman and the supervisory boys are shooting at. They want banks to make loans which will increase the production of scarce goods. Loans for "speculative inventory accumulation" or to increase consumer buying power are against the gospel according to Washingtonia, 1947.

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Only general controls can apply, practically. One such traditional general control is the raising of interest rates. This often, if not always, acts as a brake upon credit expansion. Apart from the fact that the Treasury does not want to pay more for its money, most Federal officials are hypnotized with the idea of low interest rates for their own sake.

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Another general approach to restraining credit expansion, by contracting the capacity of all banks to make all loans of whatever kind, is the raising of reserve requirements. After the Federal Reserve Board has boosted demand deposit reserve requirements at New York and Chicago to 26% from 20%, it will have shot the last shell from its gun. Without a new law, it will have no further power to increase legal reserve requirements. (The increases in Chicago and New York reserve requirements are in the offering not sooner than after the year-end holiday demand for currency has abated.)

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Chief backer of the proposal authorizing higher reserves is believed to be the President's Council of Economic Advisers. Chief advantage seen for such a plan, if Congress approved, is psychological. The fact that the Reserve Board could boost reserves would serve as a goblin hovering over the shoulder of every banker every time he was tempted to make a "bad" loan.

Actually it may work out that the raising of reserve requirements, or the authority to raise reserve requirements, will turn out to be, as has been speculated freely, one of the principal objectives. If this authority should be obtained from Congress its principal value can be that it is on tap. It might not even be used for a time. It could, however, be used to a limited delater—perhaps to offset the effect upon reserves of gold inflow.

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It is not that the Reserve system is opposed to having more power to increase reserve requirements. The board may be able to support that proposition in Congressional hearings. However, increasing reserves does not appear to be a preferred method from the Federal Reserve viewpoint. It puts a further burden on Reserve membership. Already the Reserve system, confronted with the fact of the huge government debt, has had to face *de facto* Treasury overlordship. It sees no point in further submerging its fluence.

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From the Reserve system's viewpoint, it is possible that more specific, particular controls may be evolved. These have not yet seen the light of day. The specific proposals of two or three years ago for regulation of bank portfolios of governments are viewed as slightly out of date, inasmuch as they were cooked up with the big worry then in mind that commercial banks would "play the pattern of the rates," selling short-terms and buy long-terms.

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It is more accurate to say that officials would be afraid to use board credit control powers than to say they would not know how to use them. Any general operation to restrict credit expansion would threaten the possibility of a business recession. Officials are not ready to hazard such a prospect, even to stop inflation.

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They may never have to make the difficult decision to arrest inflation, and risk a recession, or let things slide. They may never get the power of decision. Congress views the whole Truman inflation-fighting scheme as one too broad to go across. Hence they see it as a trap. They believe that the President knows that such an anti-inflation program could not pass in Congress and that the Chief Executive intends to use the failure of his program as the basis for blaming Congress for the high cost of living.

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Whether Congress may salvage parts of this program and enact them—including new credit control legislation—is now too far from a decision to permit a prediction at this time.

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Foreign aid has at least avoided the dropping of two other possible hot issues on the Congressional lap in time for a row next year. The President's Council of Economic Advisers was studying two controversial subjects. One was the possible need for an overhauling of the anti-trust laws. The other was the subject of industrial capacity—whether it is large enough. These studies have been delayed for "months" as a direct result of the Council's pre-occupation with foreign aid. The Council cannot come up with recommendations in time for Congressional action in 1948.

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On the subject of industrial capacity, the left-wing sponsors of forced increased capacity, got moral support from one sentence in the President's message, reading: "To expand industrial output we need a long-range program to overcome basic shortages in capacity and equipment."

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What may be the biggest fight against a national union in recent years is scheduled to get its beginning in New York City today or tomorrow. That is the prospective formation of a committee representing the phonograph record makers, the radio broadcasting, and the radio manufacturing industries. This industry-music committee will fight James Caesar Petrillo's edict that no member of his musician's union shall play for mechanical music recording after Dec. 31.

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This may not prove to be as strategic an area of the nation's economy as a coal strike, but it is likely to get the radio broadcasting industry more steamed up to get the public het up, then the coal strike. For after Dec. 31, if Petrillo's edict sticks, then no new "popular" music can be recorded for the air, but must come only from live musicians.

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Reason for the Petrillo ban is that the Taft-Hartley Act made it illegal for record producers to pay the 2 cents a record royalty to the Federation of American Musicians. The industry thinks Petrillo expects to get the same money by some indirect route.

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Possible outcomes of the industry battle against the union: That some one in the industry will back out and pay Petrillo's price. That all the devotees of "popular" music from bobby-soxers to Democratic voters will get the Justice Department to sic 'em on Petrillo. That the Petrillo fuss will tip over the even balance between labor versus the Taft-Hartley Law, and foes of labor versus weaknesses of the Law. This might make possible actual anti-labor, anti-union-racket legislation next year instead of a stalemate.

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Not all the foreign office gentlemen are against DeGaulle by any means, but here is what some of the antis are saying: DeGaulle stands for a big army and a big army will promote, rather than arrest, inflation. Also, DeGaulle is an economic illiterate.

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Best guess is that overall, Truman's January budget will show a draw between proponents of retrenchment and of expansion in national defense. Not much more or less money for the Armed Forces, which will be worse off, net, because their hangover of unused appropriations and their usable stockpiles are dwindling.

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One thing which is really being waited down by the always increasing evidence, of home building is the W-E-T (Wagner-Ellender-Taft) omnibus and public housing bill. One of the most telling arguments for public housing used to be—if private housing can't build the houses, the government has got to. Now private building is doing the job.

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